

# **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
- In January, 45 freshmen State Representatives were sworn in (out of 110 total Reps. in the House)
- Spartan Legislators (30)
- Appropriations
  - Appropriations Higher Education Subcommittee
- Policy
  - Higher Education reforms
  - Looking for more collaborations with community colleges
  - K-12 reforms/lower K-12 numbers in Michigan

# State Capitol Partisanship

## 2017-18 Session

- GOP maintains control of Michigan House at 63-47, Senate at 37-11 (-1?), and the Governor's seat

## Political Landscape for 2018 (Governor)

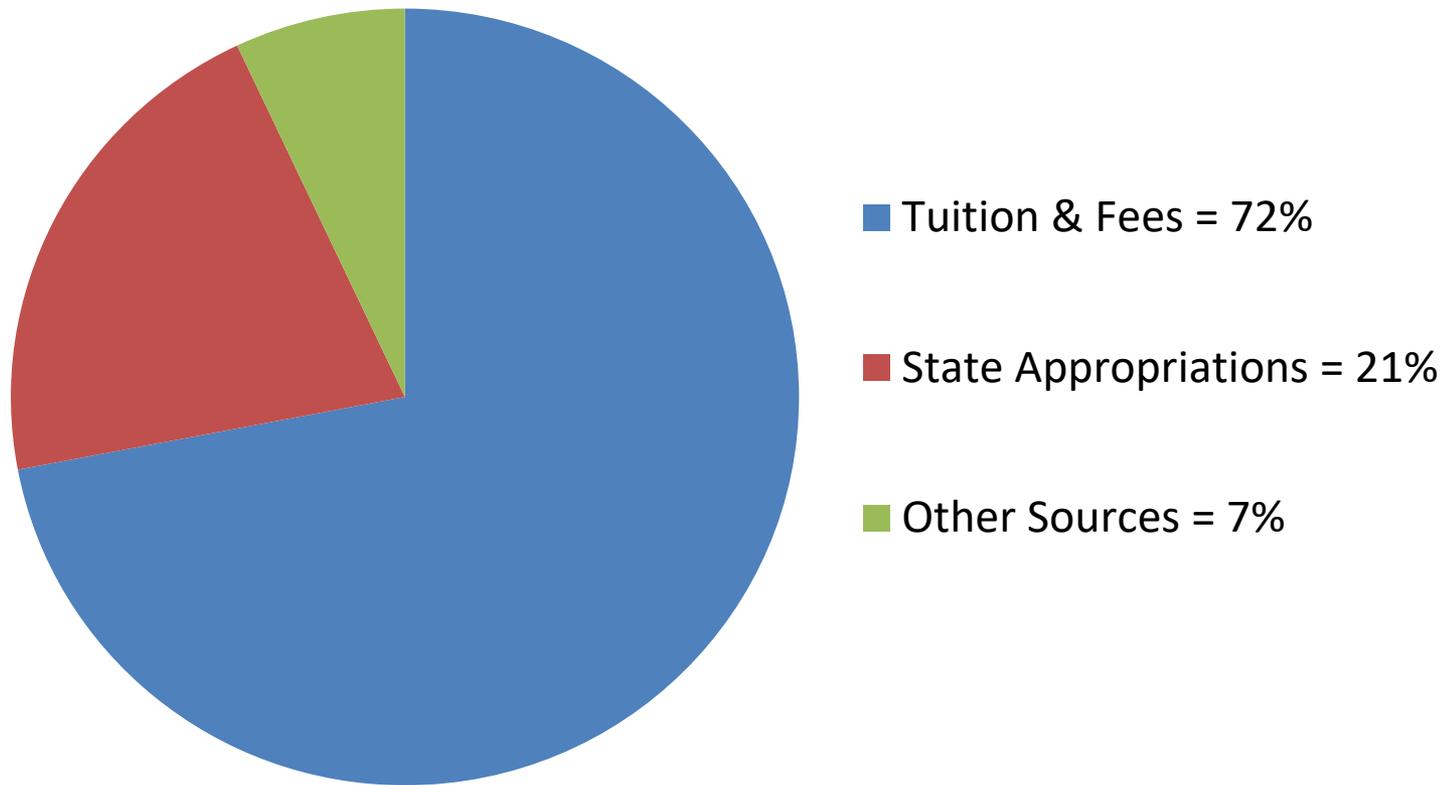
- Gretchen Whitmer officially running for Governor
- Congressman Dan Kildee looks a lot like he is running
- Attorney General Bill Schuette is expected to run
- Lt. Governor Brian Calley is positioning himself to run

# MSU State Government Funding

- Highlights of what State is providing in 2017:
  - \$275.8 million in Higher Education Formula Funding (MSU); overall Higher Education \$1.462 billion
  - \$33.2 million in funding for AgBioResearch
  - \$28.6 million in funding for MSUE (Extension)
  - \$162.8 million in Graduate Medical Education (Overall number – not just MSU)
  - \$91 million for FRIB – MSF Bond (Total project cost is \$733 million)

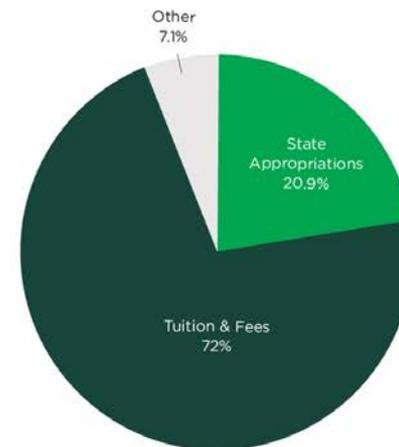
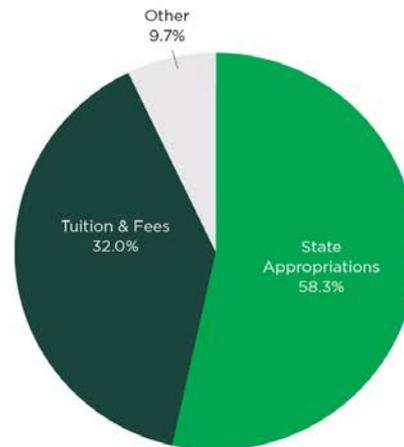
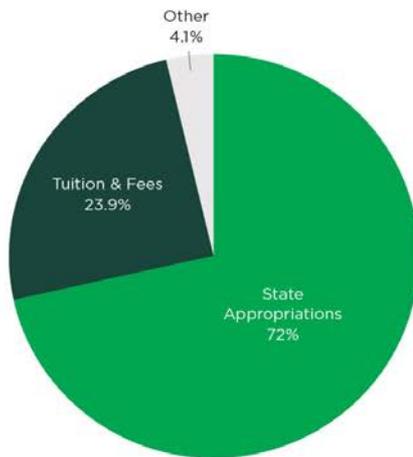
# State Revenues Impact on MSU

MSU General Fund 2016-17



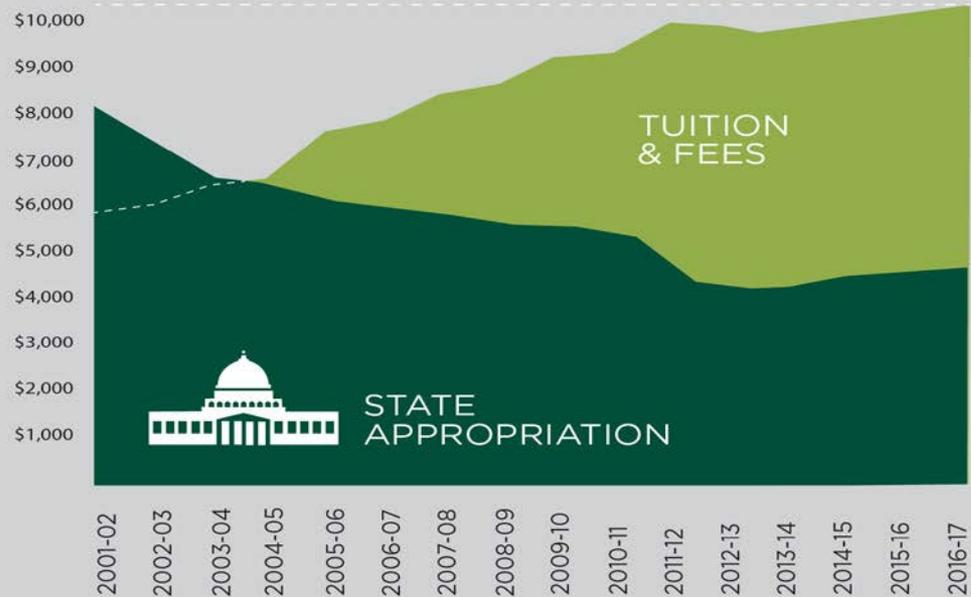
## MSU funding snapshot

The legislature's support of higher education is vital for MSU's mission but has been diminishing over the past several decades.



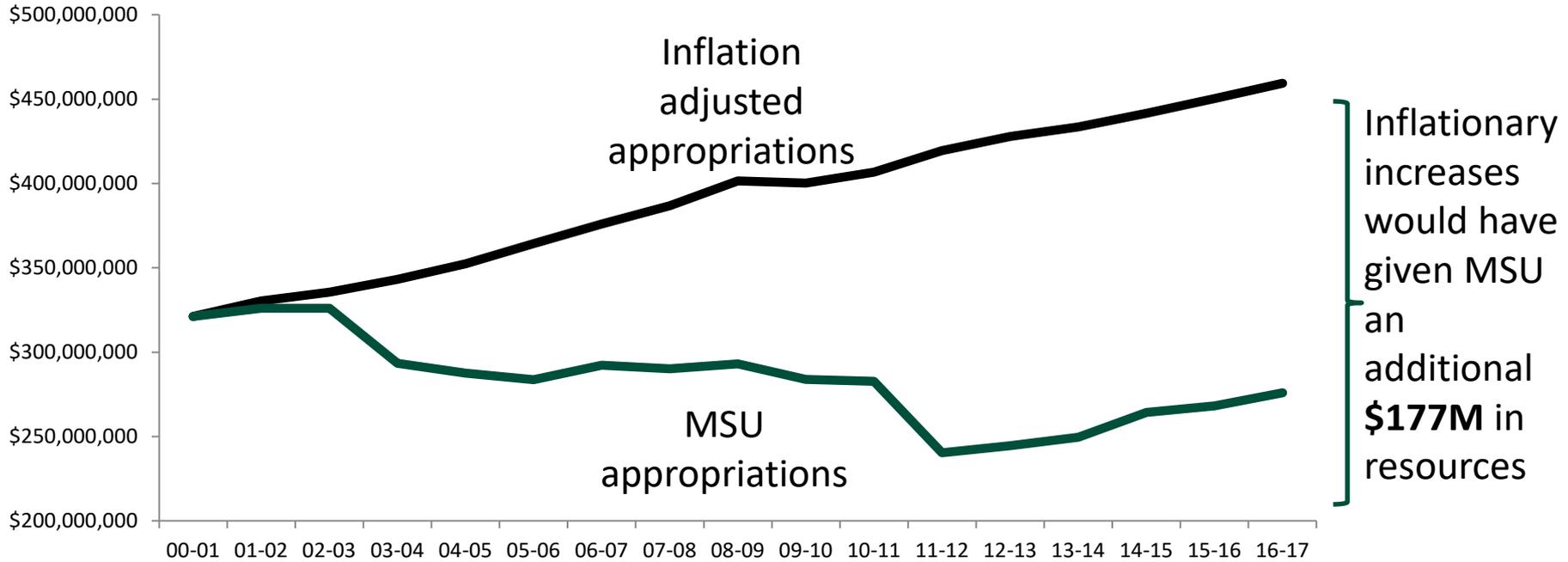
- > Michigan ranks 47th out of 48 reporting states for change in appropriations over 10 years.
- > Since the Performance Funding model was implemented in 2012, **MSU has been more adversely impacted** than any institution complying with each tuition restraint provision for a **loss of \$8 million**.

## DECLINE in state support

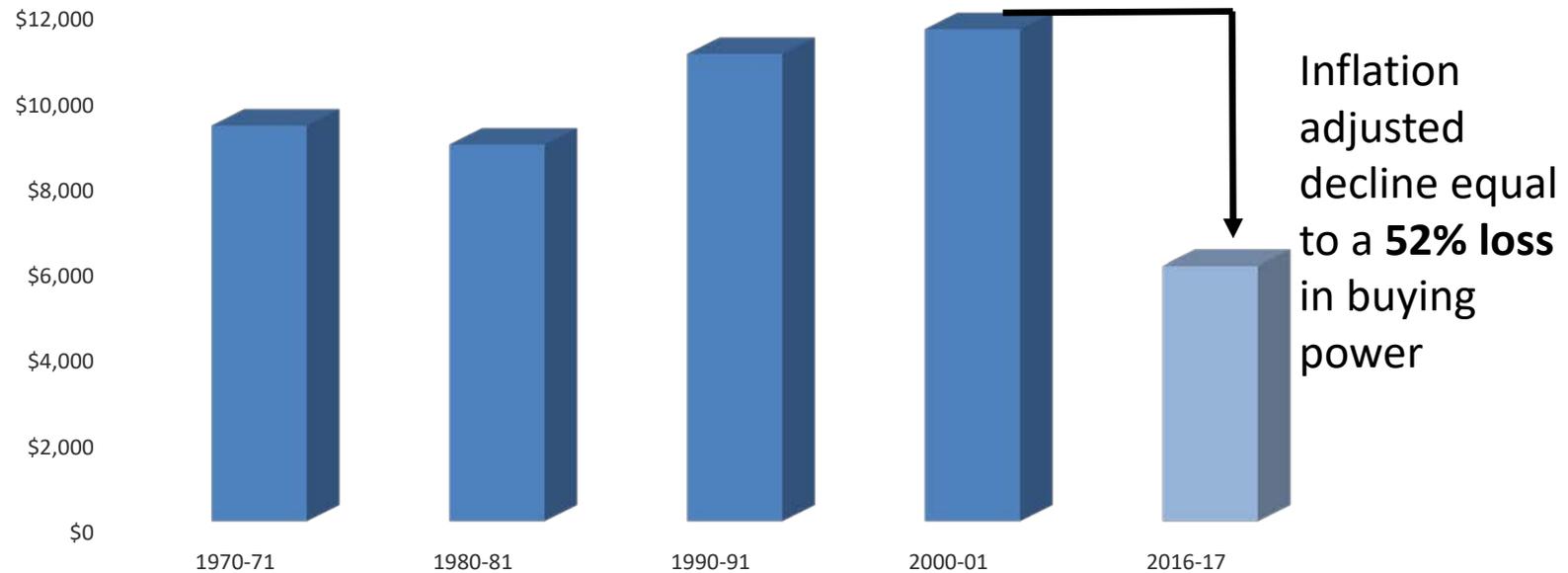


- > The state's **reduction in state appropriations** per student when adjusted for inflation is the primary driver **increasing the cost of higher education** at all 15 public universities in Michigan.
- > Since FY 2001-02, MSU has **increased** its general fund **student assistance by 326 percent.**

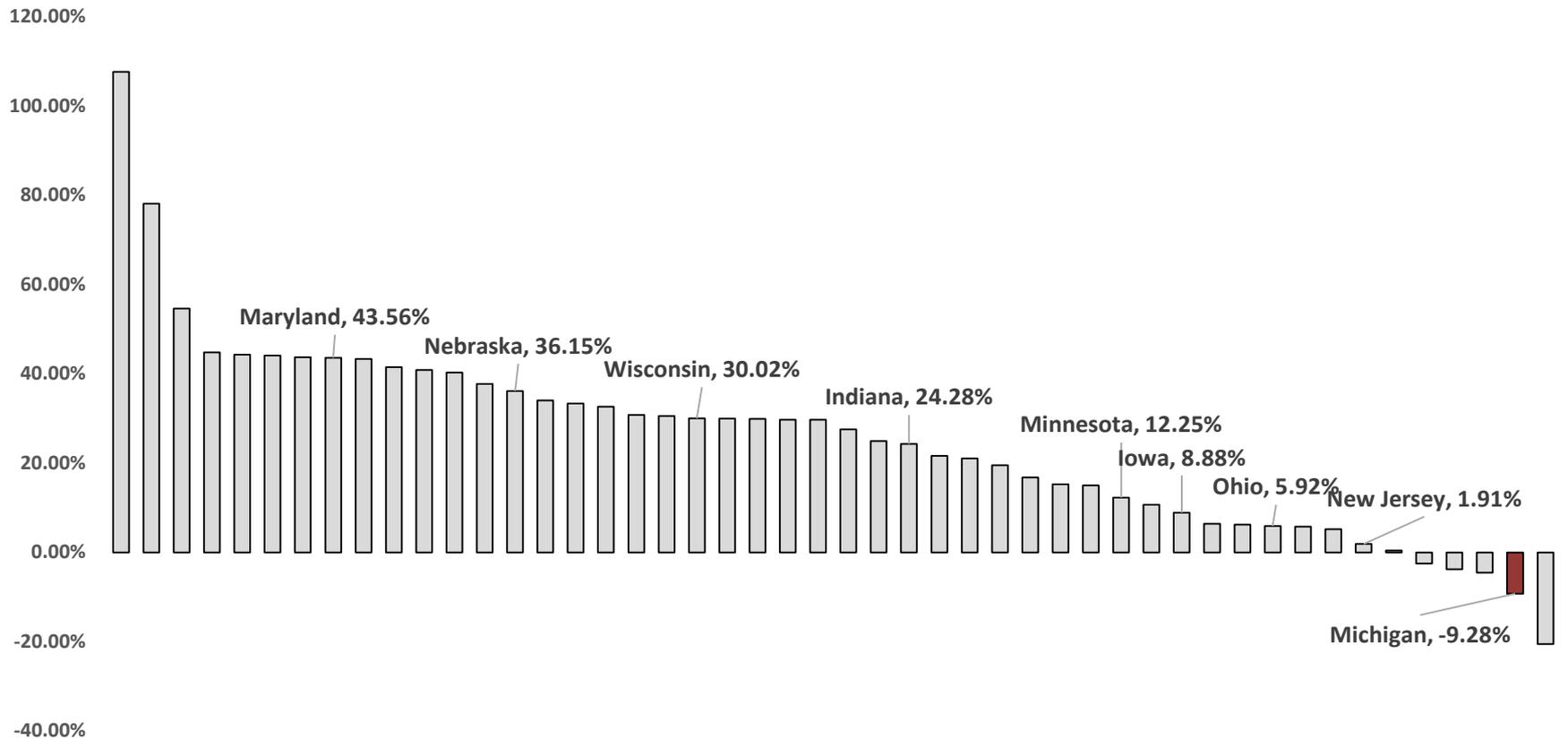
## Appropriations \$180M Behind Inflation since 2000-01



## Inflation Adjusted Appropriations per Student (2016-17 dollars)



# 10 Year Change in State Appropriations 2006-2016



# State Funding

- State once provided 78% of the cost of undergraduate education; today MSU receives only 21% 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 2017-18 Challenges

- Flint Water Crisis (\$232 million from State GF) – This number continues to increase (TBD)
- Detroit Public Schools (\$500 million in debt last year)
- Statewide Infrastructure Prioritization
  - Governor’s 21<sup>st</sup> Century Infrastructure Commission – Determined \$4 billion Price Tag
  - \$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

- Municipal Legacy Costs (new commission created to review)
  - Local government pension costs
- MEGA Credits (Unpredictability of when companies decide to cash in)
  - Cashed in by two companies alone amounted to more than \$500 million in late 2014
- Income Tax Cuts
  - House attempted to approve in February but fell short
  - House is revising the state budget to accommodate another attempt for an income tax cut

# State Higher Ed Formula

- In the 2012-13 budget year, a new Higher Education formula was created to allocate some of the total state funding going to Michigan's 15 public universities related to performance
  - Funding today is now at \$1.58 billion (\$40 million performance)
- 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
  - Percentage of Pell Grant Students (changed from raw number 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 \$39.7 million (increased funding) is being distributed through the metrics in 2017 (current year); MSU share is \$7 million
- MSU Performance funding to date = \$17.5 million
- A tuition restraint cap is set each year in order for universities to qualify for increased (or Performance) funding. It was set at 4.2% for the current year
- MSU is at or above Carnegie peer median for variables except % of students with Pell Grant (size of group greater than peer average)
- Cumulative application of performance funding model has resulted in slower restoration of appropriations support than any other tuition-compliant institution

# Proposed Higher Ed Funding

- In February, (2018 Budget) – Governor’s budget proposal recommends maintaining the Higher Education formula
- Governor proposed 2.5% (\$35 million) increase overall and included a 3.8% tuition restraint cap
- This proposal leaves MSU \$1.2 million below our 2011 FY funding level (15% cut was made to the state budget that year); four other institutions remain below the 2011 funding levels
- MSU Higher Education funding increase would be a \$6.7 million (2.4%) increase under the Governor’s proposed budget; this would bring MSU’s funding up to \$281 million for operations
- MSUE/AgBioResearch: Governor recommends a 2.5% increase or \$1.25 million for a total of \$63.2 million
  - These unroll the budget lines into two:
    - \$33.9 million AgBioResearch
    - \$29.3 million for Extension

# Summary of Proposed Appropriations Bills

## Governor's Recommendation

	Governor's Recommendation
<b>MSU Appropriation</b>	2.4% (\$6.7M)
<b>Total State Appropriation</b>	2.5% (\$35M)
<b>MSU AgBioResearch/MSUE</b>	2.5% (\$1.6M)
<b>Tuition restraint</b>	3.8% or \$475
<b>One-time Funding</b>	MSU Animal Agricultural Initiative, \$2.5M MSU Agriculture Workforce Initiative, \$1.2M
<b>Tuition restraint penalties</b>	Loss of new funding
<b>Formula distribution</b>	50% proportional to FY2011 50% through unchanged formula

# Summary of Proposed Appropriations Bills House & Senate

	Senate Subcommittee	House Subcommittee
<b>MSU Appropriation</b>	1.9% (\$5.4M)	1.9% (\$5.1M)
<b>Total State Appropriation</b>	2.0% (\$28.0M)	1.9% (\$26.6M)
<b>MSU AgBioRes/MSUE</b>	2.0% (\$1.3M)	2.5% (\$1.6M)
<b>Tuition restraint</b>	3.8% or \$475	3.8% or \$475
<b>One-time Funding</b>	MSU Animal Agricultural Initiative, \$2.5M MSU Agriculture Workforce Initiative, \$1.2M	Not included
<b>Tuition restraint penalties</b>	Loss of new funding Ineligible for capital outlay for 2 years Legislative intent to revisit appropriations	Loss of new funding Ineligible for capital outlay for 2 years Legislative intent to revisit appropriations
<b>Formula distribution</b>	50% proportional to FY2011 50% through unchanged formula Legislative intent to increase the future percentage of funding driven through formula	50% proportional to FY2011 50% through unchanged formula

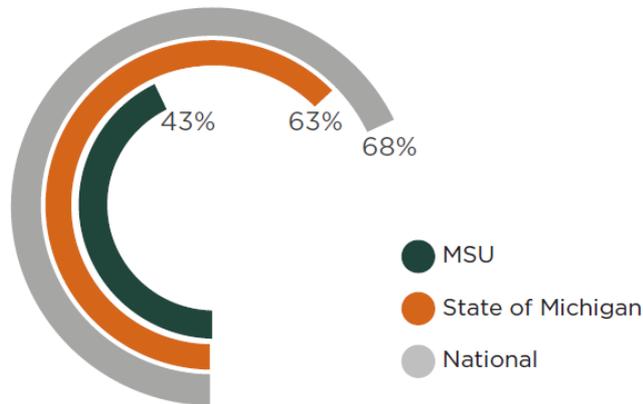
# Other State Funding for MSU

- Capital Outlay – MSU STEM Teaching & Learning Facility - \$72.5M facility with a \$30M state match
- Graduate Medical Education
- Autism Research Funding
- Additional (new) Funding for Agriculture
  - Animal Alliance Initiative - \$2.5 million
  - Workforce Development - \$1.2 million (for mobile fruit & vegetable processing labs) – Effort with community colleges
  - MSU Fruit & Vegetable Lab Renovations - \$1.2 million
- First action by the Legislature on the proposed budget was late March
- Differences between each house will have to be settled in a conference committee expected in early June

# Financial Aid

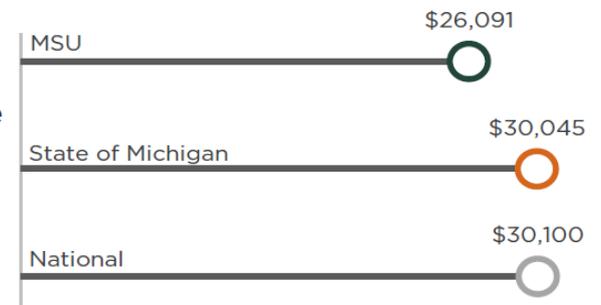
## Student Debt & Repayment

Fewer MSU students graduate with debt compared to the state and national average.



Source: 2014-15, 43% reduced by 13 percentage points over 10 years.

Of students graduating with debt, the average amount of 2015 MSU graduates is **lower** than the state & national average.



**3.6%**

of MSU students default on their student loans. This rate has been **declining** since a high of 5.9% in 2012-13 and is **significantly lower** than the **national average** of 11.8% in 2012-13 (the most recent year data are available).

# Other MSU Legislative Items

- Tech Transfers (cumbersome process)
- Athlete Agents Regulation
- Concussion Law Reforms
- Ticket Scalping
- Community Colleges Granting Four-year Degrees
- Campus Free Speech (a lot of inquiry)

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