

1: Increase State Operating Support for Public Universities to Strengthen Michigan's Talent Competitiveness and Improve College Affordability

Reinvigorate state investment to power Michigan's workforce talent pipeline.

KEY TAKEAWAYS

- State funding is essential to developing a competitive workforce that powers the Michigan talent pipeline and economy, boosting our capacity to retain and attract high-skill, high-wage industries and employers.
- Enhancing university operations support improves college affordability, especially for low- and middle-income students, ensuring equitable access to education that drives national competitiveness.
- Consistent, predictable funding is critical for universities to strategically plan to support Michigan's long-term economic and workforce needs.

THE REQUEST

- For the FY 2027 budget, build the much-needed 3% increase in one-time FY 2026 funding into the recurring base and provide an additional inflationary increase in base budget operating support.
- Continue to diversify revenues and provide flexibility to policymakers by increasing the proportion of School Aid Fund dollars allocated to university operations appropriations.

BACKGROUND

The top policy priority of Michigan's 15 public universities is for the state to provide sufficient, consistent, and sustained funding for institutional operations to keep college affordable for all students, and especially those from low- and middle-income backgrounds.

The state's future prosperity hinges on its ability to build and sustain a highly-competitive, talented workforce. Achieving this will require ensuring that a Michigan public university degree is affordable and continues to be of the highest quality. Of the 50 high-demand, high-wage occupations in Michigan through 2032, 42 minimally require a bachelor's degree.¹ Two-thirds of Michigan's good-paying jobs (those paying \$65,000 or more) are held by workers with a bachelor's degree or higher, yet just one-third of Michigan's working-age population has completed a bachelor's degree. Strongly reinvigorating state operations support to the universities is the surest way to maintain college affordability and sustain workforce-aligned programs to attract and retain job-producing employers.

Michigan ranks 43rd in state higher education funding support per capita,² with the state's support for its public universities down by \$424.3 million since 2011, adjusting for inflation. Since 2002, state higher education operations funding is down over *\$1.3 billion* with inflation. In 1979, state funding accounted for 70% of Michigan public university operating revenues, with tuition dollars comprising 30%. Today, students and families provide 78% of institutional operating dollars. Only 22% of university base operating revenues came from the state in 2025.

Michigan admirably funds its community colleges at \$13,840 per fiscal year equated student (FYES), or 127% of the national average.³ In stark contrast, the state only funds its public universities at an average of \$7,275 per FYES, which is only 67% of the national average.⁴ This is not how Michigan can succeed at a time when the best paying jobs in highest demand require a bachelor's degree or higher. A period of strong and sustained reinvestment in state operating support to Michigan's public universities will enable these institutions to strengthen student supports and bolster workforce-aligned academic programs, leading to increased student success, degree completions, and a stronger talent pipeline in the years ahead.

2: Provide Campus Infrastructure Funding to Power Michigan's Knowledge Economy and Preserve Vital Public State Assets

Ongoing state investment in campus infrastructure is a matter of competitiveness, quality, tax-payer savings, and campus safety.

KEY TAKEAWAYS

- Maintaining world-class learning and research environments requires sustained state investment in campus infrastructure, such as facility upgrades, maintenance, technology, equipment, and safety, all of which underpin Michigan's economic competitiveness.
- State support of campus deferred maintenance extends the lifespan of state-owned campus assets that fuel talent development and innovation.
- Other Midwestern states continue to aggressively invest hundreds of millions of dollars in campus infrastructure improvement, out-competing Michigan's ability to provide state-of-the-art facilities.

THE REQUEST

- Reinstate dedicated state payments for campus infrastructure needs to support innovation, facility upgrades, maintenance, technology, equipment, and safety.
- Such payments should be separate from institutional receipt of capital outlay project authorizations to accelerate modernization and competitiveness.

BACKGROUND

The State of Michigan has invested billions of dollars in university buildings over the decades. Maintaining these buildings and the tremendous infrastructure that supports them is a sound strategy to ensure effective stewardship of taxpayer dollars and the preservation of some of the state's most vital public assets. Michigan's public universities have a total backlog of campus deferred maintenance of \$6.44 billion. Yet, the state has only allocated deferred maintenance dollars to the universities once in the past two decades. These dollars, in the past referred to as ITEMS—in support of Infrastructure, Technology, Equipment, Maintenance, and Safety upgrades, are a prudent mechanism for the state to provide support to address unmet needs by assisting in the middle ground between the routine maintenance a university does as a caretaker of state assets and the major construction or renovations of a capital project where the State Building Authority takes the building title.

Investing in campus deferred maintenance saves taxpayer dollars in the long run. Such investments can help avoid having to pay higher repair costs later, avoiding emergency shutdowns, and paying for expensive temporary fixes. Further, they ensure student safety and accessibility, supporting academic quality and student success, and improving energy efficiency and sustainability. State investment in campus infrastructure improvement can lower long-term operating costs; such improvements often include energy-efficient system upgrades, reducing energy costs, savings of which can be redirected toward instruction, student services, or limiting tuition increases. Maintaining high-quality facilities leads to enhanced state and institutional competitiveness, especially as it relates to other states, bolstering student enrollments and strengthening Michigan's workforce development capacity.

Other states dedicate annual funding to infrastructure; Ohio, for example, has provided its public institutions of higher education more than \$200 million annually in direct capital funding for the last five years. By preventing the need for large-scale capital replacements, campus infrastructure upgrade dollars represent a solid investment in a proven cost avoidance strategy.

3: Invest in and Modernize the State Capital Outlay Process to Advance Research, Innovation and Student Success

To compete for the best students, faculty, and research opportunities, it is vital that Michigan's public universities have high-quality facilities.

KEY TAKEAWAYS

- To compete nationally for students, faculty, and research opportunities, it is vital that Michigan's public universities offer technologically advanced, high-quality facilities.
- Building sustainable, future-ready, technologically sophisticated and environmentally sound campus facilities requires a renewed state-university partnership to finance innovation and growth.
- Outdated processes and delays in approving capital adjustments impede efficiency and diminish Michigan's competitiveness nationally.

THE REQUEST

- Establish predictable, annual capital outlay funding for modern, high-quality academic, research, and student support facilities on the state university campuses.
- Remove outdated hard caps on state contributions for capital projects.
- Adjust the approval process involving joint capital outlay project authorizations to ensure enhanced timeliness, efficiency, and cost savings.
- Institutional receipt of a capital outlay project authorization should be separate from receipt of campus infrastructure improvement monies.
- Convene a state and institutional workgroup to identify potential reforms to the capital outlay process.

BACKGROUND

High-quality academic and research facilities are vital to ensuring that Michigan's public universities remain competitive by continuing to deliver world-class education and creating the knowledge and talent that will power tomorrow's economy. Constructing technologically sophisticated and environmentally sound campus facilities requires a financing partnership between the state and its public universities. The most recent set of capital outlay projects were authorized in November 2023. The legislative investments in campus buildings, in general, are infrequent and have dwindled over the years. It is important to return to a dependable cycle of a few projects annually to minimize uncertainty and to avoid extended delays in asset maintenance, or the sudden tightening of construction-related labor markets due to multiple institutions planning or building at once. The state capital outlay process should be conducted annually, be predictable and consistent, and include substantial public investment.

Capital outlay projects are complex undertakings that span several years from initial design and planning through total construction. During that time, plans can be refined and costs can rise, purely through changing market conditions. However, project cost or scope changes require new legislative approval in the form of a bill presented to the Governor. This is true in both cases where a university is coming in under budget and would like to share savings with itself and the state, as well as cases where a university is going to pay for cost changes by itself, without any new state dollars. These delays can compound costs and harm students' academic progress by delaying building openings. While statute cannot tie the hands of a future legislature, there may still be solutions that increase the frequency, speed, predictability, and consistency of capital outlay packages, all of which would involve amending the DMB Act. One example is to enact statutory revisions that will allow technical changes that do not increase state expenditures for legislatively-approved capital outlay projects, to be approved by the State Budget Office and/or State Building Authority, subject to Joint Capital Outlay Subcommittee oversight.

In the lean years of the 2000s, the state limited its contribution toward capital outlay projects first to \$45 million and then to only \$30 million. When there is already a 25% university cost share to provide an incentive for thriftiness, a hard dollar cap on the state share is unnecessary. Further, research labs, digital classrooms, and modern health and accessibility standards make buildings more expensive than when these caps were put in place. Finally, even if hard dollar caps were appropriate, their value has substantially eroded. \$30 million in 2008 would be equivalent to \$44.8 million today with inflation. It is time to dispose of or update these measures.

¹ Michigan Hot 50 Job Outlook through 2032. Michigan Center for Data and Analytics. michigan.gov/mcda/reports/michigan-hot-50.

² Grapevine Fiscal Year 2025, State Higher Education Executive Officers. shef.sheeo.org/grapevine.

³ Fiscal Year 2025 State Higher Education Finance Report, State Higher Education Executive Officers. shef.sheeo.org.

⁴ Ibid.