Testimony before Senate Appropriations Subcommittee on Universities and Community Colleges
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Good afternoon, Madam Chair LaSata, Vice Chairs Horn and Irwin, and members of the committee.
Thank you for inviting me to speak to you today. I would like to share some observations on what I view to be a pivotal moment not just in the state's annual budget cycle, but indeed, in our state's economic future.

I would like to touch on 3 issues:
1st: the importance of building our state's workforce talent capacity;
2nd: I will share some observations on the Governor's FY 23 budget recommendation; and
3rd: finally, I would like to segue and conclude with some thoughts on the importance of boosting the state's financial aid grants to students.

<u>WORKFORCE TALENT</u>
First, I would like to commend you all on what transpired in December. This legislature came together in a bipartisan manner with considerable determination and worked with the Governor to pass a business incentive package that is slated to result in **$7 billion** of investment by General Motors, which will build a new Electric Vehicle battery plant in Lansing and expand its Orion Township electric vehicle operations in Oakland County. As part of the package, the state is providing some **$884 million** in total incentives to GM, with the company's expansions estimated to create **4,000 jobs.**

These new jobs will of course be beneficial. They will provide some economic energy in their respective regions. However, some context is helpful. The new production jobs at GM's Orion Assembly plant will pay **$56K a year**, **$23,500 less** than the median household income in Oakland County. The battery plant in Delta Township here in Lansing will pay an average wage of **$46,800**, which is more than **$17,500** lower than the median household income for Eaton County communities on the west side of Lansing.

Meanwhile, on the very same day that GM and state officials announced the EV battery plant projects, our neighbors to the south in Ohio announced plans for Intel Corporation to build two leading-edge computer chip plants, to be located in suburban Columbus, with an initial investment by Intel Corporation of **$20 billion**, with a potential of **$80 billion more** on an additional 6 plants within the next **10 years**, which would make it the largest semiconductor manufacturing operation in the world. It is estimated that the project will create **3,000 jobs**, many if not most which will require a four-year college degree or higher, at an average wage of **$135,000 a year** – a rate that is well more than twice as high than the anticipated average wage of the new jobs GM will be creating in Lansing and Orion Township.

In making the announcement, Intel's CEO, Patrick Gelsinger, made it clear that the most important factor in the decision to locate in the Columbus area was the availability of **<u>talent</u>**.

This economic development tale of two states is illustrative.
To be clear, we need more jobs of all types. But it's those jobs that are <u>well-paying and family-sustaining</u> that will provide the greatest benefit.

The bottom line: in today's economy, t<u>alent is the most important currency</u>, and boosting educational attainment levels is the number one state policy priority to make that happen. And you do that by making college more affordable.

You all have been provided with folders. Included in those folders are a series of commentaries that recently ran in Crain's Detroit Business. The individuals who authored them come from a diverse set of backgrounds from the private and non-profit sectors. I penned one of the commentaries, as did Dr. Britany Affolter-Caine, Executive Director, Michigan's University Research Corridor, who co-authored a piece that speaks to the importance of "Innovation Districts" in downtown Detroit, similar to the Medical Mile in Grand Rapids, and who is here with us today.

There is one theme that resonates among all the editorials: Michigan must increase its workforce talent capacity and doing so requires much greater state investment in our universities and in the 270,000 students they serve.
If you don't have the time to read all the commentaries, I at least ask that you read the cover letter included in the folder. That letter is signed by several prominent voices representing the state's private sector. These individuals collectively underscore the vital importance of increasing Michigan's workforce and economic competitiveness by producing more workers with higher levels of postsecondary degrees and credentials to meet the needs across all industries and sectors. And the way to do that is for the state to make college more affordable and accessible. Importantly, **they also underscore the reality that tax cuts and corporate incentives alone can't make Michigan nationally and globally competitive or provide the workers our businesses need.**

<u>The data could not be clearer: At the individual level, community level, and state level, the higher level of educational attainment – especially at the four-year degree level, the higher the personal incomes that are achieved.</u>

Last week, Ryan Fewins-Bliss of the College Access Network came before this subcommittee and cited the state's own labor market forecast, which shows that a high proportion of the state's **50** <u>*high-wage, high-demand*</u> jobs in the years ahead will minimally require a four-year college degree. But to dig just a bit deeper on the data, it is telling that:
- Of the **16 occupations** that DO NOT require a bachelor's degree, the top starting wage is **$29/hour** and the top overall wage is **$41/hour**, which are set to generate **8,500 job openings annually** in the years ahead.
- Of the **34 occupations** that DO require a bachelor's degree or higher, the top starting wage is **$58/hour** and the top overall wage is more than **$100/hour** and are set to produce more than **15,000 jobs annually**.

There is a reason why virtually every state has set an educational attainment goal. In Michigan's case, it's to have at least 60% of our residents possess a degree or high-quality postsecondary credential by 2030.

We are at an incredible moment in this state's history. We are witnessing tremendous disruption and transformation when it comes to vehicle electrification and mobility innovation. Ford Motor Company's billion-dollar investment in Michigan Central Station in Detroit's oldest neighborhood, expected to house 5,000 high-paying, knowledge economy jobs, is just one example of the transformation that is underway. State policymakers have a historic opportunity to make some transformational investments given the unprecedented amount of unallocated dollars at their discretion. **The question is:** in the months ahead, will the necessary investments be made in our people and our workforce needed for Michigan to successfully make the transition needed to compete against the Silicon Valleys and Austins of the world? And now, apparently the Columbus, Ohios of the world?

Will we make a much-needed pivot toward reinvestment in college affordability to boost college degree attainment, and in turn be able to retain and recruit the companies that will produce the high-paying knowledge economy jobs of the future?

This very appropriations subcommittee – you all here today – have the ability to help determine which direction this state will head.

EXECUTIVE BUDGET RECOMMENDATION

Operating Support

The leaders of Michigan's 15 public universities are of course very pleased with the Governor's budget recommendation for FY 2023, in which she recommends an ongoing **5% increase** in operating support to each university, as well as a one-time allotment equal to **5%.**

While these numbers are impressive, I hope that they are not viewed as overly generous. They are in fact what is needed given the damage that has been done to college affordability during the past 20 years: Adjusted for inflation, Michigan's support for public universities—not even including financial aid—has been cut by an astounding **$1 billion** (inflation-adjusted) over the past two decades, equating to a per-student reduction of **43%.** And as it involves a "base" budget increase of 5%, it should be noted that due to one-time payments during the past couple of years, the "base budget" actually dates back to FY 2020, aside from some technical adjustments up or down for Indian Tuition Waiver costs. When considering this, it should be noted that if the state had just increased operating support at Consumer Price Index levels for the past three years, the universities would already be receiving 11.3% more in their "base budgets."

Included in the materials you have been provided is a bar chart that shows the amount of **base** budget state appropriations collectively provided to the state universities during the past four-plus decades, adjusted for inflation. It shows that in Fiscal Year 2021, we hit an unfortunate historic milestone in which the funding level reached an all-time low, surpassing the previous low point of 1981. The chart serves as a stark reminder that we have a great deal of work to do to reinvest in higher education in Michigan, and 10 percent combined increase in one-time and recurring operations support reflects a meaningful effort in doing so.

ITEM (Information Technology, Equipment, and Maintenance)

We are particularly pleased to see for the first time since 2000 a specific investment in campus improvement and facility maintenance that will assist with such things as upgrades to buildings, water systems, specialized technology, electrical and data networks, HVAC systems, and much more. The $200 million recommendation for the state's public universities and community colleges is an exceptional use of one-time dollars. The state universities of Michigan have collectively been in existence for more than **1,700 years** and have served, in one way or another, **millions** of students, faculty and staff, and visitors. With all this aging and activity comes a lot of wear and tear on campus facilities. A recent survey of the universities shows a **$3.9 billion** backlog of deferred maintenance needs. Clearly, this proposed one-time allotment, will be greatly beneficial, especially for our older campuses.

Capital Outlay

It is noted that the Executive Budget did not include any planning authorizations for capital outlay projects at the state universities. We hope that some capital outlay projects are authorized for planning during the upcoming budget cycle. And we hope that any such authorizations do not displace the ITEM (information technology, equipment, and maintenance) monies that have been recommended in the Governor's budget plan. Given all the revenue available to meet the state's strategic needs, choosing between so-called ITEM funding and investing in a handful of campus capital outlay projects should not be an "**either-or**" proposition. It should be a "**both-and**" proposition.

Capital Outlay and Higher Education are separate budgets, separate funding sources, are for separate purposes, and are coordinated by separate legislative committees. The last capital outlay project planning authorization among the state universities was in **2018**, and before that only **two projects** were authorized for planning between **2010 and 2016**. For that matter, capital outlay once upon a time did not always require a campus match, nor did it cap state contributions at **$30 million** until the Granholm Administration.

Surely, the state can take advantage of still low interest rates to bond for campus educational buildings that will serve our residents for generations to come, while at the same time using our one-time federal windfall to invest in **major scientific equipment** or **address deferred maintenance needs** to ensure that our current campus assets are safe, sustainable, and effective for teaching for many years ahead.

Let me conclude with my third and final topic:

STATE STUDENT FINANCIAL AID

SHEEO Study – Evidence of Positive Impact of State Financial Aid Programs

First, it is clear what the research says regarding the role that state financial aid has on student access and success. The State Higher Education Executive Officers association this past year conducted a systematic, comprehensive review of more than 100 research studies that demonstrated that state financial aid has direct—and positive—implications for student enrollment, retention, graduation, and post-graduate outcomes. This greater the investment, the greater the outcomes on all of these metrics.

Michigan Reconnect:

First, I would like to commend the proposed **$55M in continuation funding** for the Michigan Reconnect program for community college students. Senator Horn, we have you in particular to thank for your leadership in helping to establish this program, which is one of the most notable state higher education policy successes Michigan has witnessed in the past couple of decades.

Michigan Competitive Scholarship:

Overall, however, I do think there is much greater opportunity for a major investment in state grant aid for our less financially well-off students, especially those enrolled in our state's four-year institutions – either as integrated in the FY 2023 budget or via a supplemental appropriation.

Michigan is **dead last** in the nation in state funding of financial aid and is **34th** in the nation when including the federal TANF dollars that we use to subsidize these programs. Surely we can do better.

From an association standpoint, MASU has been recommending a $400M increase in funding for the Michigan Competitive Scholarship program, which is the state's flagship scholarship. It's based on academic merit and financial need and goes to students attending the state's community colleges, state universities, and independent, not-for-profit four-year colleges. As such, it's portable, essentially serving as a voucher, allowing students to take it to the institution of their choice.

In our proposal, we recommend changing both the academic merit and financial need eligibility components to allow a much greater number of Michigan residents to qualify for the grant award. Evidence would suggest that utilizing a student's HSGPA and/or high school class rank **in addition to the SAT** test score helps identify more talented students who are ready for college. Due to the pandemic, which has led to a steep decline in

SAT test-taking and most colleges waiving the submission of SAT scores as part of the admissions process, the State has waived the SAT score for the past two years as it involves SAT eligibility. This has been done administratively, with current pilot language allowing this for the current academic year and is inserted in statute. We recommend that it be made permanent.

While the Governor did recommend a **$200 increase** in the **maximum award for the Michigan Competitive Scholarship, to $1200**, she did not recommend an increase in the overall line item for the program. The increase is simply a result of lower enrollments and thus fewer eligible students. However, we do feel that the maximum grant can even be higher. For comparison, the maximum award for Indiana's flagship financial aid program is **$10,000**. Data from the public universities shows a decline in MCS scholarship recipients during the past three years, with several universities reporting between a **30% and 60% decline** in the number of students receiving the award. Thus, the proposed $1200 max award would not seem to reflect the funding that is even currently available. A max award in the **$1500 - $2000 range** would make a more meaningful impact on improving college affordability. Combining this with the improved ways to measure student academic success would be transformative for the MCS and college affordability in Michigan.

Additional/Alternative State Grant Aid Investment Opportunities

"COVID Class Scholarship:" We join the rest of the state's higher education community in recommending that the state harness one-time federal monies currently available to create a "COVID Class" grant program. As envisioned, it would be a multi-year, cohort-based program that would provide high school graduates from **2020, 2021, and 2022** with an annual grant of up to **$5,000** for students enrolled in a **four-year institution for up to four years**, or **$2,500** to students enrolled in a **two-year institution for up to two years**.

Return to Learn/"Near-Completers" Fund**:** We also support the proposed Comeback to Complete Grant for those who have not completed a four-year degree but who have 90 or more credits and who have not been enrolled in any college for 24 or more months**.** The scholarship would offer tuition assistance to help them complete their degree and could make a major impact in helping a portion of the hundreds of thousands of Michiganders who have some college credit but no degree finally complete their degree.

In Conclusion:

A state's priorities are reflected in its spending decisions. It is our hope that for the coming year's budget, Michigan policymakers will make investments that make a clear statement: that workforce talent matters.

By making some substantial investments in higher education, we can improve college affordability, and degree production, leading to a more prosperous future for our state's residents, families, communities, and our overall economy.