

## Capital Outlay and Asset Preservation

### State Investment in Campus Facilities is Essential to World-Class Instruction and Applied Research

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 incubating the knowledge and talent that will power tomorrow's companies. Constructing technologically and environmentally sophisticated campus facilities requires a financing partnership between the state and its public universities. Capital outlay investments, unfortunately, tend lately to be in a feast-or-famine cycle. In recent years, these investments have fallen short, with no new university capital outlay project having been authorized for planning since 2018. It is important to return to a dependable cycle of authorizing a few projects annually to minimize uncertainty and to avoid extended delays in asset maintenance, or the sudden tightening of construction-related labor and materials markets due to multiple institutions planning or building at once. Transparency and clarity on the process by which prospective campus projects are assessed by state officials and recommended for funding approval is also integral to a sound state capital outlay program.

Another state policy opportunity is to address challenges posed by the hard dollar caps enacted on the state share of university projects that commenced during the lean years of the 2000s. The Granholm Administration limited the state share of capital outlay first to \$45 million and then to only \$30 million per project. 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 and only accelerates the shift toward institutional financing. Further, environmental sustainability measures, research labs, digital classrooms, and modern health and accessibility standards make buildings more expensive than when these caps were put in place. And finally, even if hard dollar caps were appropriate, their value has substantially eroded. Thirty million dollars in 2008 is equivalent to \$41.1 million today with inflation. It is time to repeal these hard dollar caps as part of the state's capital outlay process.

Finally, the need is urgent for state investment in *existing* infrastructure on public university campuses in order to maximize the lifespan of these important state assets. The state has not provided infrastructure, technology, equipment, and maintenance (ITEM) grants since 2000, shifting one more cost burden from the state to the universities. Ultimately, a portion of students' tuition dollars end up paying for critical campus asset preservation needs; monies that would be better utilized for direct instruction. The current administration and the 101<sup>st</sup> Legislature both advanced various plans to begin reinvesting in deferred maintenance, so the opportunity remains for the 102<sup>nd</sup> Legislature.

Policy Actions:

- Support a state capital outlay process that is conducted annually, is consistent and predictable, and provides the public investment needed to ensure continued world-class academics and applied research at Michigan's public universities.
- Remove the hard dollar caps in the state's share of funding university capital outlay projects.
- Reinstigate state payments for infrastructure, technology, equipment, and maintenance for university facilities and infrastructure, helping these institutions lengthen the lifespan and functional utility of the state's previous investments in campus assets for many more years.