

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. A much-appreciated set of capital outlay projects was authorized in November 2023. However, in general, these investments 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.

In the lean years of the 2000s, the state limited its share 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. And 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 these measures.

Finally, these important state assets need to be maintained. Universities are careful stewards of state assets, but they can only do so much maintenance and upkeep without state investment. Infrastructure, Technology, Equipment, Maintenance, and Safety (ITEMS) dollars have only been provided once in the last two decades. Investment in ITEMS is 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. It's a fantastic way to use non-recurring state revenues, even as other states dedicate annual funding to infrastructure; Ohio, for example, has provided its public institutions of higher education over \$237 million annually in direct capital funding for at least the last four years. Accordingly, the state should restore ITEMS funding in the amount of \$100 million annually, which equates to just 1.6% of the total accumulated \$6.44 billion deferred maintenance backlog

among the state universities. By preventing the need for large-scale capital replacements, ITEMS dollars represent a solid investment in a proven cost avoidance strategy.

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.
- Eliminate hard dollar caps on capital outlay projects that already have a campus cost share.
- Reinststitute state payments for infrastructure, technology, equipment, and maintenance, and safety (ITEMS), helping these institutions lengthen the lifespan of the state's on-campus assets.