

President M. Roy Wilson  
Wayne State University  
Higher Education Appropriations Subcommittee Remarks  
February 19, 2015

Good morning, ladies and gentlemen.

When I addressed this subcommittee last year, I had been sworn in as president just six months earlier. I was **not** new to higher education, having served in leadership positions at other universities and university systems throughout the United States. But I **was** new to Wayne State, and also new to Detroit, and to the State of Michigan.

I have learned a great deal about Wayne State, and Detroit, and Michigan over the past year, and continue to be optimistic regarding all three. Thanks to a great collaboration between the city and the state, Detroit has emerged from bankruptcy in a strong position to continue its remarkable resurgence.

Michigan remains economically strong, with excellent colleges and universities that compare favorably with those of any state. And Wayne State continues to play a unique and critical role among Michigan's public universities.

I said last year that universities were valuable State assets, and that we were fortunate to have such high-quality institutions, each serving students and the community in important ways. That could not happen without your support, so thank you for all you do for our public universities.

Eight days ago, Governor Snyder announced his proposed budget. We understand the State's budget challenges, and appreciate very much the Governor's commitment to higher education and to continuing to restore Michigan's higher education budget.

Today, I would like to cover three areas, and then I would be pleased to answer your questions.

First, I want to talk about what makes Wayne State unique among Michigan's public universities, and a critical asset for the State of Michigan. Second, I'd like to share with you why Wayne State's mission is important, not only to the students we serve, but to the State of Michigan as well. Third, I'd like to provide input regarding the proposed metrics that guide the performance-based funding.

### **How is Wayne State unique?**

Over the next few weeks, you will hear from each of Michigan's public universities. Some of what we share may sound similar, since we are all in the business of higher education. But, in fact, some pursue distinct missions that others do not, or cannot, pursue. This is true for Wayne State, which plays a role that is unique among Michigan's universities—public or private.

As all of you are aware, Wayne State is a major research university. We are fortunate to have three major research universities in Michigan – U of M, Michigan State, and Wayne State

University. Together we form the University Research Corridor, which has an economic impact of more than 16 billion dollars annually.

Each of these universities is classified by the Carnegie Foundation for the Advancement of Teaching as “RUVH,” in the top 4 percent of universities nationwide on research activity.

This may sound esoteric, but it has very real benefits, both for students and the State. Universities in the top Carnegie category attract talent and investment. They drive new knowledge and discoveries. They support and generate new businesses. They allow students to study with professors who are at the forefront of their disciplines. They improve lives through better products and medical advances. They enrich the learning experience as well as the communities that surround them. They help drive the economy.

Some of the most competitive students in the United States and around the world are attracted to RUVH institutions. In recent years, Wayne State University also has attracted very competitive students through our Honors College, students who had multiple acceptances to some of America’s finest colleges and universities. For academic year 2014-2015, we enrolled 1,831 students in the Honors College, with the Honors freshmen class having an average high school GPA of 3.81 and average ACT score of 28. We are expecting enrollment for next academic year to increase to **at least** 1,860.

The value of research universities is undeniable, and Wayne State is proud to be in this Carnegie RUVH grouping, along with other prestigious universities across the country.

Our research expenditures are nearly a quarter of a billion dollars, and much of that is federal funding. Sometimes, people have the mistaken impression that this money is spent in idle tinkering in labs, with no tangible results for society. In fact, university research can be directly correlated with most of the advances that preserve and enrich our lives — from the computers in our pockets to medical breakthroughs that protect us and keep us alive.

But Wayne State also differs from most — actually almost all— of the other institutions classified by the Carnegie Foundation as RUVH in several respects.

Our urban location in Detroit demands more of Wayne State. We carry an obligation to our community, and we fulfill that obligation through tangible leadership and engagement — and investment — that has served the city for nearly 150 years and most recently has played a major role in Detroit's comeback.

We don't have time today to provide detail, but through public safety, economic development, community outreach, and service, we have helped Midtown flourish as a place to live, learn, work, and play. This benefits our students, who participate in many ways. Our location in Detroit helps them become better citizens by **being** citizens. Many of our schools and colleges work directly with the community as part of their education, offering medical, legal, business and social services to people in need. Our students perform community service, and learn to help others and build communities.

As a result of service to Detroit, Wayne State holds the highest Carnegie classification for community engagement as well. We are thus one of only a handful of institutions nationally that hold the highest Carnegie classification for both research and community engagement.

But perhaps the biggest contrast from the other Carnegie RUVH institutions is the mission we serve, one that serves both our students and our State. We open our door wider to many students who, through no fault of their own, have fewer opportunities. And this is different from 95 percent of the institutions classified by Carnegie as RUVH. Thus we do not consider 95 percent of the RUVH institutions to be our peers.

#### **WSU'S MISSION CRITICAL TO THE STATE**

Wayne State University has been a steppingstone for “non-traditional” students since its founding. Students who are the first in their families to attend college. Students who work full- or part-time, or have family obligations. Children of immigrants, and students from different cultures, races, and creeds. Diversity is a day-to-day reality that benefits both our students and our communities.

Last week I spoke to an auditorium packed with admitted honors students, and I asked them to look around the room and note the people who looked, and dressed, and spoke differently from them. The room resembled the world to which they would someday graduate, with people from all races and creeds and socio-economic backgrounds.

Depending on their backgrounds, some of these non-traditional students take longer to graduate. Why? One reason is that our students work. In a survey of our students, more than 80 percent reported that they were employed full- or part-time while attending Wayne State. Working, paying taxes, and contributing to the economy — while attending college.

We remain willing, despite the funding consequences, to accept a broader range of students that we believe can succeed, even when they don't have the financial wherewithal or preparatory background that most of the other RUVH universities demand. Even when they have a harder path to success. Even when they take longer to graduate. This is our history, and this is our mission. And we believe this is a noble mission.

We do this because it's the right thing to do for the student. Because every student with talent and desire deserves a shot at reaching their potential, no matter their backgrounds. But it goes beyond helping students.

Because when students from disadvantaged backgrounds succeed, society as a whole benefits. Our economy benefits. We all benefit. It must be considered as a critical societal mission, but we are not, as a society, doing very well at accomplishing it.

In fact, the demands placed on our universities, and the reward system fueled by rankings and metrics, has an unintended consequence. Too many of our universities — especially our top-ranked universities — are inaccessible to students from lower socio-economic backgrounds.

These students often are less prepared for college. They require more investment to help them succeed. So many universities, rather than take a risk, or invest precious funding — or hurt their rankings — don't accept these students. For many of these students, the “door” is closed.

This hurts the student, but it also hurts society.

The social mobility made possible by higher education is the key to a thriving middle class and a democratic society. If that mobility is offered to some, and not others, we create two societies, with disparate incomes and vastly different opportunities.

We have all heard the discussions and debates regarding income disparity. But there is another disparity that exacerbates the income gap. Right now, the disparity in baccalaureate degree attainment by family income is increasing at an alarming rate.

A recent report from the University of Pennsylvania and the Pell Institute for Study of Opportunity in Higher Education demonstrates that in 1970, students from families in the bottom income quartile had a degree completion rate of about 6 percent by age 24, while the top income quartile attained degrees at about 40 percent. By 2013, the bottom quartile had risen to 9 percent, yet the top quartile rate had risen to 77 percent. The gap is widening. This is morally unacceptable. And economically foolish.

Economically, this trend is disastrous because the demand for college graduates in the U.S. is continually and progressively growing. The demographics of the U.S. college-age population

are such that we simply cannot meet workforce demands without graduating kids and young adults from the entire broad spectrum of races, ethnicities, and socio-economic backgrounds. There just are not enough students in the upper quartile income bracket to meet the demand.

Right here in Michigan, the Lumina Foundation predicts a staggering “degree gap” by 2025, estimating the need for an additional 928,506 degrees to meet workforce demands.

A report from the Business Leaders for Michigan entitled, “How Higher Education Can Help Michigan Become a Top Ten State,” indicates that 70 percent of Michigan jobs will require education beyond high school, and 44 percent will require at least a 2-year degree. At the same time, the report notes that State population projections from the Department of Technology, Management and Budget show that Michigan’s talent pool will be smaller in the future, with approximately 100,000 fewer 18-24-year-olds by 2025.

These are a lot of numbers, so let me connect the dots:

1. Higher education undeniably means higher income and more and better jobs.
2. Michigan needs substantially more college-educated men and women to fill the demand for both the current and future jobs in the new economy. Technical skills training— as the Governor has pointed out — is also important and necessary, but does not replace the workforce demands of college-educated men and women.

3. To meet the demand for college-educated workers, we can recruit from out-of-state and internationally, but we **also** need to be sure we provide access to education for **all** of Michigan's potential graduates, including those students who are at-risk. This has the double benefit of increasing our educated work force **and** helping students from Michigan become productive citizens.

The BLM report specifically addresses this and calls out the need to “continue to increase at-risk student enrollment and graduation rates.” This is both a moral imperative **and** an economic imperative.

I would be remiss if I didn't acknowledge last year's inclusion of Pell grant eligibility as part of the metrics, and I sincerely thank both the Governor and the legislature. Inclusion of Pell eligibility was a very important first step to recognizing the value to society of graduating students from lower socioeconomic circumstances. In addition to finances, the “at risk” population comprises students who are older, those with less academic preparation, and certain under-represented racial and ethnic groups. Many states are prioritizing degree attainment by this broader at-risk population.

## **METRICS**

Since the inception of performance-based funding in Michigan three years ago, Wayne State has consistently received the smallest proportionate increase to its budget. At a time when

graduating more “at risk” students is so important for the economy, the university that is most committed to this mission is being hampered systematically.

We have stated for the record that we support accountability and the use of performance metrics. But we also believe performance metrics should take into account the unique missions of each institution within the state, and incent desirable outcomes while minimizing negative unintended consequences, such as under-valuing the attainment of degrees by low-income students.

As currently implemented, however, our metrics are less a measure of actual **performance** than they are a measure of institutional **characteristics**, like enrollment size. This metrics model can have unintended, and even deleterious consequences. Allow me to illustrate. I believe we all understand the value research returns to our State, in terms of discoveries, economic stimulation, attraction of talent and external funding.

However, the way our performance metrics are constructed, it would be far more beneficial for Wayne State to decrease its research expenditures significantly, and move from the top Carnegie classification to the second tier classification, “Research University, High Research” (RUH).

If Wayne State were to do this, we would be compromising our research mission — as well as the benefits that accrue to the State from our research activities — but we would be rewarded instantly by greater performance funding in terms of total degrees and institutional expenditures

as a percent of core expenditures. In fact, we would be well above the mean in three of the four performance metrics when currently we are above the mean in only one.

And this is simply because we are grouped and compared with a broad range of institutions that share the Carnegie RUVH classification. I was not yet in Michigan at the time, but my understanding is that the intent of the BLM in recommending peer comparisons, using the Carnegie classification, was to group universities according to mission.

In the BLM higher education report, one of the key recommendations is to “continue to use performance-based funding to ensure institutions focus and excel at their key missions.” Personally, I believe that the distinct missions served by our Michigan universities are a strength for our State, and I am enthusiastically supportive of this recommendation.

The reality, though, is that universities within the Carnegie RUVH classification are significantly different in both mission and characteristics. Within the RUVH category are Harvard and Georgia State — two universities that are successful in their own right but vastly different in mission and characteristics. The size of enrollment within this category — which is the most important variable in determining funding in our model — ranges from 200 to nearly 60,000.

My purpose here today is not to advocate for any specific changes to the performance-funding model that would advantage Wayne State. Michigan has taken an important first step in

adopting a metrics system and is to be commended. And BLM is to be commended for taking a leadership role in leading this charge. To be clear, we support performance-based funding.

However, I would like to call your attention to a recent report by HCM Strategists entitled, “Driving Better Outcomes,” which provides both a historical perspective and a thorough analysis, backed by research, of outcome-based funding models employed by states to determine higher education funding. Within the report, they categorize funding models into four types, based on levels of sophistication, stable funding and alignment with desired outcomes.

Type Four is the most sophisticated of the categories, meaning it considers the broad range of important goals and categories as well as the unique characteristics of institutions. Type One is the least sophisticated. Michigan is categorized in this report as Type One. I would like to suggest respectfully that we consider what is required for Michigan to reach Type Four status and thoughtfully move in that direction.

The Report also recommends that “as with any policy, outcome-based funding policies should be evaluated and adjusted as their effects are better known. Research indicates that early funding models produced a range of unintended impacts that were left unevaluated and unaddressed. Working to mitigate and respond to these concerns is an important and ongoing process, true of any funding model.

Policymakers, institutional leaders and other stakeholders must continue to evaluate and understand how these finance policies, in their varied design, align with objectives to support students to complete their programs of study successfully.”

**The stakes are high — both for Michigan’s public universities and for the State — and we believe that this is sound advice.**

To close, I offer the following thoughts:

- First, we support the Governor’s proposed budget, and the use of performance-based funding.
- Second, helping more under-represented and at-risk students obtain their degrees is critical to Michigan’s economic growth. The State should facilitate the education of these students by adequately supporting universities that serve this important mission.
- Third, if the Fiscal Year 2016 budget process and funding allocation continue as planned, Wayne State will have recovered less than one-third of the 32-million-dollar budget cut it received in FY 2012. Systematic underfunding will affect student services and erode the progress we have made in recent years in increasing retention and graduation rates of our students. We respectfully recommend that until all university budgets have been fully restored to their 2011 levels, the State commit 50 percent of the budget increase to the base budget, and 50 percent to performance-based allocations as was done last year.

- Finally, as is considered “best practice” in this domain, we recommend an independent, third-party assessment of our metrics model to ensure we are driving the right outcomes for our students and our State.

Thank you for your time and attention.