



President M. Roy Wilson  
Wayne State University  
**Senate Appropriations Subcommittee  
on Higher Education**

February 22, 2018

Members of the Senate, thank you for inviting me to speak with you today. I am happy to represent Wayne State University, Michigan's only public, urban research university, in the 150th year of its founding.

We are grateful that the governor's budget again includes an increase for higher education, perhaps the best investment Michigan can make for the long-term economic health of our citizens and our state. I'm also excited to share with you information about Wayne State's impact and performance, which provides a very positive return for our city and state.

I want to acknowledge that you have asked for specific information related to Title IX, free speech, and other issues that are on the front burner of higher education today. We prepared a very detailed response, but I would be pleased to answer any questions you may have related to the written report.

Since time is limited, I will dive right in and comment on the allocation of funds based on the performance metrics, which is now used to some extent in 35 states.

First, I want to call your attention to an article published late last summer titled, "[Evaluating the Impact of Performance Funding in Ohio and Tennessee](#)," which casts considerable doubt on the effectiveness of performance funding in attaining educational outcomes. In fact, this article examined two of the most robust performance funding states — Tennessee and Ohio — and found null and negative effects in outcomes. I point out this article not to impugn performance-based funding, but rather to challenge the article's finding that performance metrics are not effective.

I believe that performance-based funding can be effective, and what has occurred at Wayne State University supports this belief. As you are aware, one of the metrics in Michigan's model is the six-year graduation rate. You will note from Figure 1 that our six-year graduation rate has increased by 21 percentage points from 2011 to 2017, a period of only six years.

For context, the "gold standard" for improvement in graduation rate is universally accepted as having been set by Georgia State several years ago — they experienced an improvement of 21 percentage points over 10 years.

While we don't yet have the comparable data for other institutions nationally (availability of national IPEDS data typically lags about a year), analysis of data over the past several years leads us to believe that our percentage point gain in graduation rate is likely to be the top in the nation for universities our size — not one of the top, which we already know to be the case, but the very top!

The underlying rationale of performance-based funding is that specific behavior that leads to outcomes beneficial to the state can be incentivized. With that in mind, what more can we do to improve our performance and obtain more funding? Unfortunately, based on the current metrics formula, our options are extremely limited. In fact, to call our metrics "performance based" is a misnomer. Please note Figure 2, which shows that Wayne State is the only university that has not yet had Fiscal Year 2011 (FY11) funding levels restored.

One would deduce from this fact that Wayne State's performance was the poorest among the state's public universities. Yet Wayne State's "performance" using these metrics is actually above the average. The scoring algorithm uses total points (presumably the measure of performance) ranging from 0 to 10, with Michigan Public Universities receiving scores from 4 to 9. Wayne State scored a 7.

You might ask, "If Wayne State's performance is above average, why does it consistently receive the lowest or next-to-lowest percentage increase in performance funding?" One reason is that the total score is then multiplied by the FYES, which takes into account only undergraduates. Thus, although Wayne State's student population is the third largest among the state's public universities, it gets credit for only 60 percent of its student body. This is puzzling, since state funding for higher education is used to provide faculty and staff salaries and services, such as public safety, that benefit the entire student body, including graduate and professional students.

It is also counterproductive. As seen in Figure 3 from Dan Hurley's testimony on behalf of the Michigan Association of State Universities last week, individuals with graduate degrees have the highest income levels, and a state's economic well-being is tightly correlated with the income level of its citizens. Thus, it is in the state's strategic best interest to incentivize the obtaining of graduate and professional degrees.

I mentioned earlier that Wayne State has limited options to improve its performance funding. In truth, we would have to fundamentally change our mission: stop educating graduate and professional students, stop performing research, and stop admitting "at-risk" students. Each of these would be detrimental to our state. I've testified previously that because of a peculiarity in the model, Wayne State would receive substantially more funding if we performed less research and were reclassified by the Carnegie Foundation as a national university with "high research," rather than as a national university with "very high research."

Of interest to this topic, I would respectfully call your attention to the investments the state of Texas has made in incenting the development of "Tier 1" universities, defined in part by amount of research expenditures, Ph.D.'s awarded annually, and commitment to graduate research. Universities that reach Tier 1 status share in prize money (National Research University Fund) estimated at approximately \$620 million. Michigan has three universities that

would meet the Texas criteria for Tier 1 university status, and Wayne State is one of these. As illustrated in Figure 4, as a public, urban research university, our impact in Michigan is substantial. It is worthy of investment to the level accorded to all the other Michigan public universities, i.e., restoration to at least the FY11 level.

We respectfully request that Wayne State be restored to its FY11 funding level. Also, this is my fifth year testifying before the Subcommittee on Higher Education. Each year, I have pointed out a different, critical flaw in the metrics model used by the state. I dislike doing this every year, but the stakes for Wayne State and for Michigan are too high for me not to do so.

Simply put, our metrics model must be changed if we are to realize the full benefit of our universities to our students and our state. We again request that the state commission a third-party, independent assessment of the metrics. Notwithstanding the equity issue, a well-thought-out system of allocating performance funding can help Michigan achieve strategic outcomes that benefit the state. Michigan has great universities with different missions within its higher education system. Each should be fully leveraged to serve the educational and economic needs of its citizens.

Thank you for your time. I'd be happy to answer any questions.

Figure 1

### WSU Graduation Rates

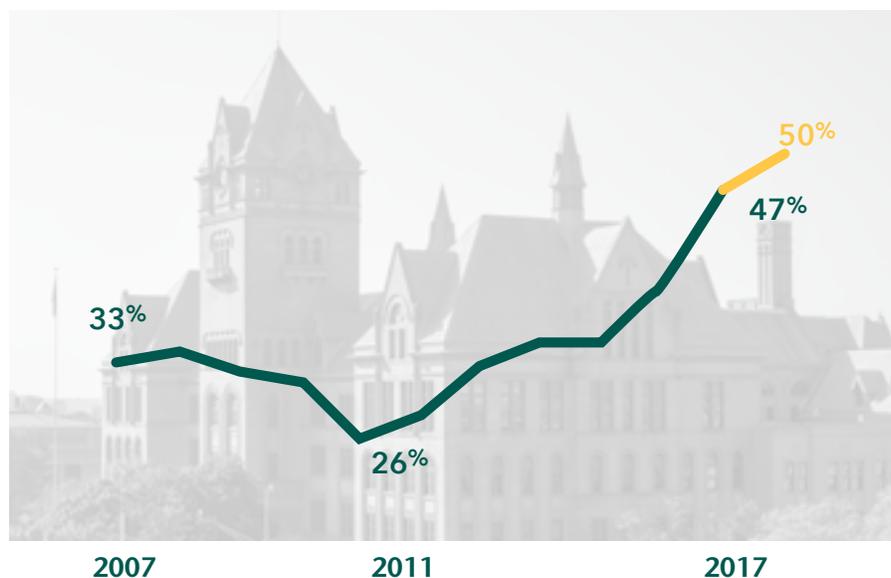
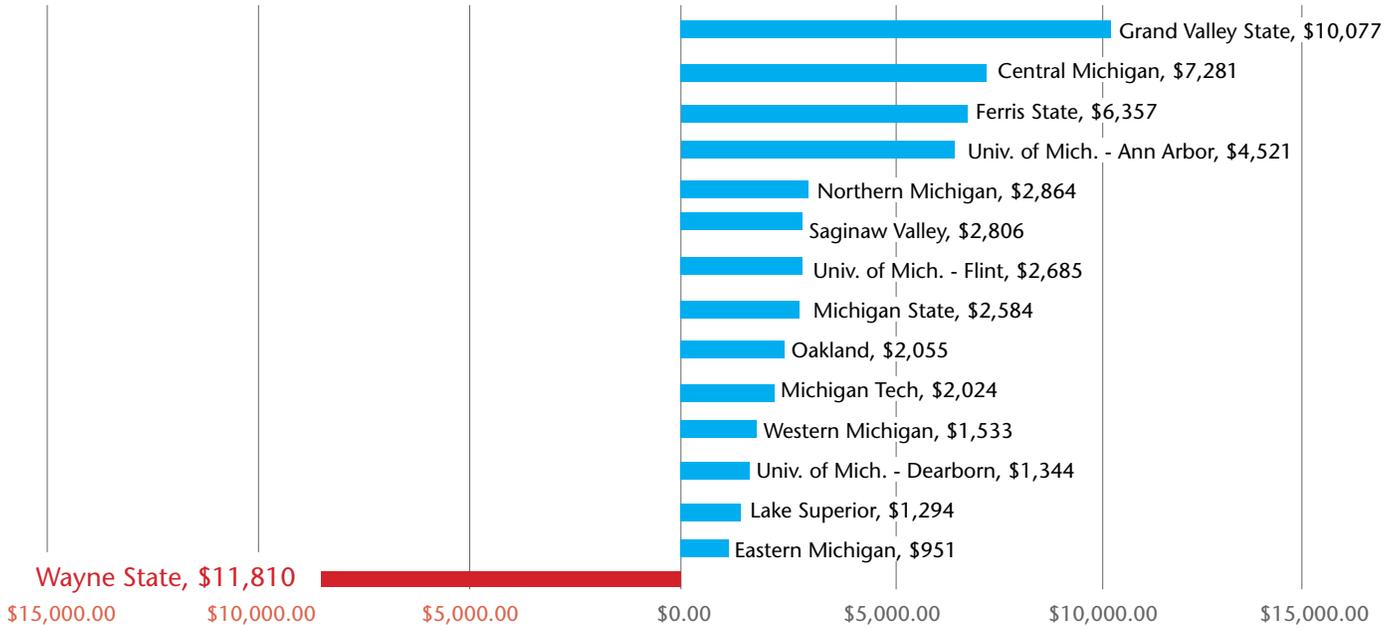


Figure 2

### Changes in Michigan State Appropriation by Institution from FY11 to Proposed FY19

(in thousands)



Note: FY2019 proposed amounts are from Fiscal Years 2019-20 Executive Budget Recommendation, page B-30

Figure 3

### The Four-Year Degree Wage Premium Continues to Grow

Cumulative percent change in real average hourly wages, by education, 2000-16

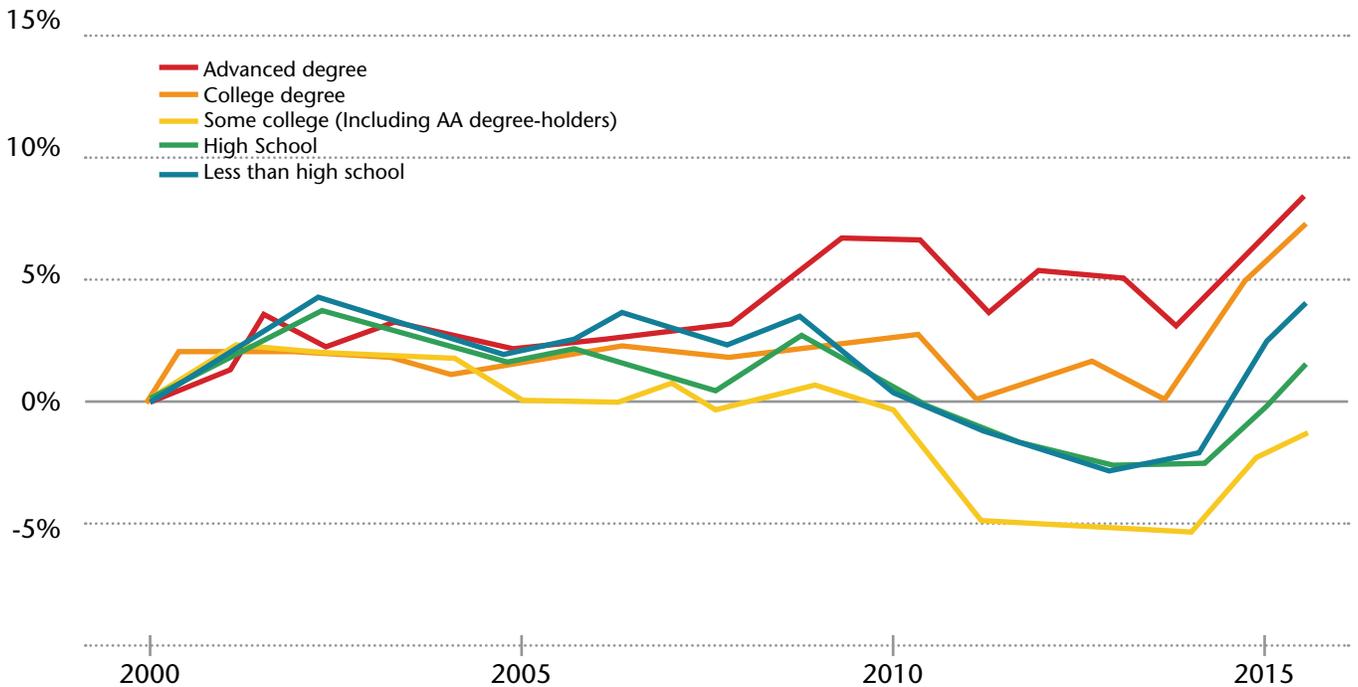


Figure 4



# WAYNE STATE'S IMPACT IN DETROIT

By leveraging university assets for the benefit of our neighborhood and city, Wayne State University is a leader and partner in the revitalization of Detroit.

## WE MAKE MIDTOWN MORE VIBRANT

**97%** OCCUPANCY  
RATE



**3,100**

students live on campus in Midtown

**51%**   
**DROP**  
in crime

since 2009

**\$1.21 BILLION**

invested in capital projects since 1993

**400** 

public performances, exhibits and cultural events annually in Midtown

## WE HELP BUSINESSES START, GROW AND THRIVE

**\$221.5 MILLION**

in annual research expenditures



**550**

PATENT APPLICATIONS since 2009

**TECHTOWN**, our business incubator, has served **1,465** companies and helped create nearly **1,200** jobs since 2009

## WE SUPPORT AND RETAIN TALENT

**7<sup>th</sup> LARGEST**

employer in Detroit



**40 PERCENT** of Michigan's practicing physicians received all or part of their medical training at Wayne State

## WE IMPROVE AND SAVE LIVES



More than **20,000** at-risk mothers helped by the **PERINATOLOGY RESEARCH BRANCH** since 2002



The new **IBio** is revolutionizing research of health care disparities that plague Detroit residents

**\$2.5 BILLION**

in overall economic impact in Michigan



**WAYNE STATE**  
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