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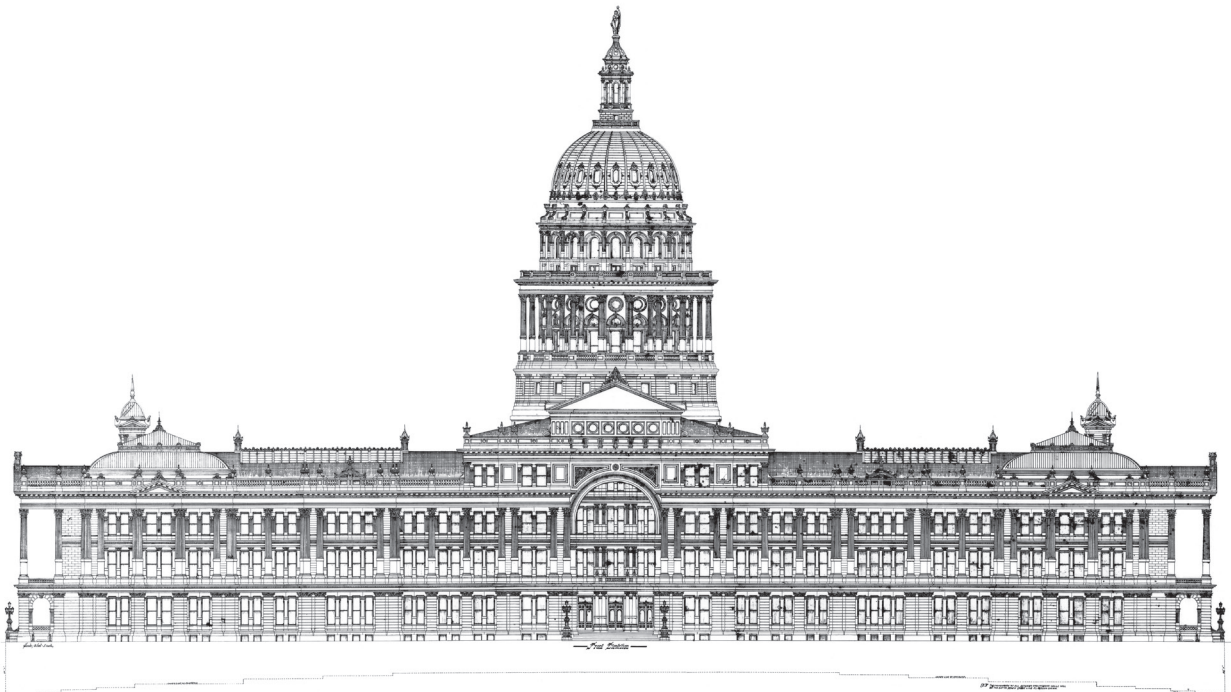
# INTERIM REPORT

TO THE

# 82ND TEXAS LEGISLATURE

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*House Committee on*  
HIGHER EDUCATION  
January 2011



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**HOUSE COMMITTEE ON HIGHER EDUCATION  
TEXAS HOUSE OF REPRESENTATIVES  
INTERIM REPORT 2010**

**A REPORT TO THE  
HOUSE OF REPRESENTATIVES  
82ND TEXAS LEGISLATURE**

**DAN BRANCH  
CHAIRMAN**

**COMMITTEE CLERK  
DUSTIN MEADOR**

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Committee On  
Higher Education

January 10, 2011

Dan Branch  
Chairman

P.O. Box 2910  
Austin, Texas 78768-2910

The Honorable Joe Straus  
Speaker, Texas House of Representatives  
Members of the Texas House of Representatives  
Texas State Capitol, Rm. 2W.13  
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on Higher Education of the Eighty-first Legislature hereby submits its interim report including recommendations for consideration by the Eighty-second Legislature.

Respectfully submitted,

Handwritten signature of Dan Branch in black ink, written over a horizontal line.

Dan Branch

Handwritten signature of Joaquin Castro in black ink, written over a horizontal line.

Joaquin Castro

Handwritten signature of Leo Berman in black ink, written over a horizontal line.

Leo Berman

Handwritten signature of Donna Howard in black ink, written over a horizontal line.

Donna Howard

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Patrick Rose

Handwritten signature of Roberto R. Alonzo in black ink, written over a horizontal line.

Roberto R. Alonzo

Handwritten signature of Ellen Cohen in black ink, written over a horizontal line.

Ellen Cohen

Handwritten signature of Diane Patrick in black ink, written over a horizontal line.

Diane Patrick

Handwritten signature of Van Taylor in black ink, written over a horizontal line.

Van Taylor

Joaquin Castro  
Vice-Chairman

Members: Roberto R. Alonzo, Leo Berman, Ellen Cohen, Donna Howard, Diane Patrick, Patrick Rose, Van Taylor

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## INTRODUCTION

The Honorable Joe Straus, Speaker of the House of Representatives, appointed nine members of the 81st Legislature to serve on the House Committee on Higher Education. The following members were named to the committee: Chairman Dan Branch, Vice-Chairman Joaquin Castro, Rep. Brian McCall, Rep. Leo Berman, Rep. Roberto R. Alonzo, Rep. Patrick Rose, Rep. Donna Howard, Rep. Ellen Cohen, and Rep. Diane Patrick. During the interim, Rep. Van Taylor was appointed by Speaker Straus to fill the position vacated by Rep. Brian McCall, who resigned from the Legislature in 2010 to become Chancellor of the Texas State University System.

Pursuant to House Rule 3, Section 15 (81st Legislature), the Committee has jurisdiction over all matters pertaining to:

- (1) education beyond high school;
- (2) the colleges and universities of the State of Texas; and
- (3) the following state agencies: the Texas Engineering Experiment Station, the Texas Engineering Extension Service, the Texas Higher Education Coordinating Board, the Texas Guaranteed Student Loan Corporation, the State Medical Education Board, the Prepaid Higher Education Tuition Board, and the Texas Transportation Institute.

During the interim, Speaker Joe Straus issued nine interim charges to the committee to study and report back with facts, findings, and recommendations. The House Committee on Higher Education has completed its hearings and investigations, and has adopted the following report.

## HOUSE COMMITTEE ON HIGHER EDUCATION

### INTERIM STUDY CHARGES

1. Evaluate the state's continuing effort to close achievement gaps in success, participation, excellence, and research by 2015. Study how state public education institutions compare to peer institutions around the country.
2. Study current financial aid programs, tuition and fee exemption programs, loan repayment programs, and professional incentive programs. Evaluate the impact of need-based versus merit-based assistance. Recommend changes where appropriate to improve the alignment of these programs to meet state needs.
3. Review the structure and operation of the Texas Higher Education Coordinating Board. Evaluate the board's data collection systems, including costs to higher education institutions, and make recommendations for improvements.
4. Study and recommend strategies for improving community college participation and success. Examine the role of community colleges within the state higher education system. Include a review of programs, practices, and incentives to improve efficiency and productivity, such as expanding dual credit options, encouraging credit by examination, and improving student preparation in high school.
5. Study and recommend strategies for reducing the costs of instructional materials in higher education institutions, including electronic textbooks, open source materials, and other web-based resources.
6. Examine the state's higher education funding mechanisms, including approaches to funding capital improvement projects at public institutions of higher education. Evaluate modifications that would improve the institutions' national peer rankings and help the state to achieve its Closing the Gaps objectives, including improved community college transfer pathways and the impact of shifting the basis of the formula funding methodologies from attempted to completed hours. *Joint Interim Charge with House Committee on Appropriations*
7. Monitor the progress of the capital improvement plan and use of state funds at The University of Texas Medical Branch at Galveston involving the renovation and upgrade of existing facilities and the construction of new facilities. *Joint Interim Charge with House Committee on Appropriations*
8. Study the feasibility of offering an optional curriculum that emphasizes ethics, Western civilization, and American traditions to satisfy portions of the Texas Core Curriculum.
9. Monitor the agencies and programs under the committee's jurisdiction.

**CHARGE 1**

**Evaluate the state's continuing effort to close achievement gaps in success, participation, excellence, and research by 2015. Study how state public education institutions compare to peer institutions around the country.**

## **Background**

In 2001, the 77th Texas Legislature passed Senate Bill 573, directing the Texas Higher Education Coordinating Board (THECB) to initiate its proposal plan called *Closing the Gaps by 2015: the Texas Higher Education Plan* (CTG Plan). The plan, which aims to close educational gaps within Texas as well as between Texas and other states, has four goals: to close the gaps in student participation, student success, excellence, and research. Closing the Gaps is also an initiative to increase minority enrollment in Texas college and universities.

At the *CTG Plan's* inception, a primary goal and a number of supporting objectives were adopted. The ultimate goals for 2015 were set relative to 2000 benchmarks and intermediate targets for 2005 and 2010 were also established to assess the progress of the initiative. In 2005, various adjustments to the plan were made in response to new population projections and accelerated progress towards some of the goals. Modifications were also made to incorporate the contributions of independent higher education institutions toward *Closing the Gaps*.

The 15-year time frame for *Closing the Gaps* was 60% completed through FY 2009. Over the past decade, much progress has been made in achieving the ultimate goals of the *CTG Plan*; however, there are also many areas that need further improvement. The THECB has identified several of these areas in its 2010 *Closing the Gaps* annual report and released the *Accelerated Action Plan for Closing the Gaps by 2015* to focus resources toward achieving targets in lagging areas. The plan heightens the agency's focus on four areas where Texas is behind its 2015 targets and highlights strategies that increase the pace of Texas' gains in these critical areas.<sup>1</sup>

The success of Closing the Gaps depends not only on financial resources, but also on institutional creativity, legislative support, and legislative initiative in meeting institutional targets by 2015. The THECB writes: "When introduced, *Closing the Gaps* was greeted by strong support from educational, business, and political communities. The *CTG Plan* has maintained a high level of visibility and support from these and other entities because of its potential to strengthen Texas' economic base, attract businesses and faculty, generate research funding, improve quality of life, and enhance the overall stature of the state."

## **Findings**

### *Participation (Well Above Target)*

*"By 2015, close the gaps in enrollment rates across Texas to add 630,000 more students"*

The first goal of the *CTG Plan* is to increase participation in higher education from 4.9% in 2000 to 5.6% in 2010 and 5.7% in 2015, meaning that the state needs to add a total of 630,000 students between 2000 and 2015. Since the launching of the *CTG Plan*, this target area has been successful and participation has increased significantly. Between 2000 and 2009, enrollment in Texas higher education (public, independent, and career institutions) increased by 401,476 students, bringing total enrollment from 963,435 students in 2000 to 1,364,911 students in 2009. To complete the participation goal, Texas must enroll approximately 230,000 more students over the next five years, which can be divided into 46,000 individuals per year. This appears to be feasible, considering that enrollment increased by 44,101 students in 2008 and 121,935 students



in 2009.

Part of the large rise in enrollment is due to expanded career college reporting, which yielded an increase of 19,785 students counted in this sector. Public two-year institutions have contributed the most to the increase since 2000, posting an increase of 244,847 students. Dual credit students account for 18% of the growth in enrollment statewide, a sizable percentage of the increase.

*Closing the Gaps* was also a means of increasing the participation rates of African American, Hispanic, and White students. The *CTG Plan* is designed to increase participation rates for African Americans from 4.6% in 2000 to 5.6% by 2010 and to 5.7% by 2015. For Hispanics, the goal is to increase participation from 3.7% in 2000 to 4.8% by 2010 and to 5.7% by 2015. Finally, the goal for White students is to increase participation from 5.1% in 2000 to 5.7% in 2010 and to retain 5.7% in 2015.

Despite statewide progress in participation, success rates vary significantly among Hispanic, White, and African American students. Participation among Hispanic students has increased by 175,248 students from 2000 to 2009, equating to a 73.8% increase. Hispanics showed the fastest growth of these three major ethnic groups, but this group remains the furthest from its target as established by the THECB. This fact is the result of the group recording a significantly lower participation rate in 2000 than the state average. As the group works to reach the statewide goal set by the *CTG Plan*, more progress must be made within this group than within any other.

Hispanics must enroll roughly 263,000 more students before 2015, 52,600 per year, to meet its target of approximately 439,000 students. This increase would represent an additional 63.8% increase in participation on top of the 73.8% increase that has been achieved since 2000. The THECB states that the rapid increase of the economically disadvantaged Hispanic population makes the performance results for this group of greater significance to the state. They also assert increasing the persistence rates of Hispanic students is a critical component of meeting participation targets by 2015.

African American and White students, conversely, are well above their target participation rates. A nearly 5% growth in participation among White students in 2010 moved this group back above the target trend line, and on track to achieve a participation rate of 5.7% by 2015. This group must record total growth of roughly 12,000 students in the next five years, 2,400 per year, to reach the target of 101,000 students.

Progress among African American students is strong. In fact, this group in 2010 surpassed the participation goal set for 2015. Nearly 69,000 African American students participated in higher education in 2010, ahead of the *CTG Plan*'s final goal of 64,237 students. The African American population has achieved a 6.5% participation rate, well ahead of the statewide goal of 5.7%. African American females led all major subgroups with a participation rate of 7.8%; African American males recorded a rate of 5.1%. Male participation is a key target area in the accelerated action *CTG Plan*.

### *Success (On Target)*

*"By 2015, award 210,000 undergraduate degrees per year, certificates and other identifiable student successes from high quality programs."*

While "participation" references the number of students who are enrolled at institutions of higher education in Texas, "success" broadly references the number of students receiving degrees and certificates from these institutions. Success is defined across a large number of categories, and the progress the *CTG Plan* has achieved in each of these areas varies widely. The *CTG Plan* measures success through the sum of bachelor's degrees, associate's degrees, and certificates (BACs) awarded and also through the number of bachelor's degrees alone and associate's degrees alone awarded. In addition, the *CTG Plan* measures success through the number of Doctoral degrees awarded, the amount of BACs awarded to African Americans and Hispanics, and BACs awarded in technology and in allied health and nursing. Finally, the *CTG Plan* measures success in the total number of initially certified teachers as well as in the number of initially certified math and science teachers.

The *CTG Plan* set a goal of increasing the number of students completing bachelor's degrees, associate's degrees, and certificates (BACs) from fewer than 120,000 a year in 2000 to 171,000 by 2010 and 210,000 by 2015. These target numbers were chosen because, if met, they would make Texas competitive with states with similar populations. As of 2009, the state was on track to meet these goals. The number of BACs awarded annually increased by 48,480 from 2000 to 2009, a 41.7% increase. Roughly 45,000 additional BACs must be awarded per year to meet the *CTG Plan's* goal by 2015.

Despite on-target rates of growth statewide, and rates of growth somewhat above targets for associate's and bachelor's degrees awarded annually, success among both African American and Hispanic students is below target levels for 2009. African American students earned 11 % more BACs in 2009 than they did in 2008, the greatest percentage growth in one year since the *CTG Plan* began. However, this group still earned over 1,000 fewer degrees than the trend line called for in 2009. Over 17,000 BACs were awarded to this group in 2009; the *CTG Plan* calls for 19,800 BACs to be awarded to this group by 2010 and 24,300 by 2015.

Similarly, Hispanic students posted an impressive increase in success rates from 2008 to 2009, with BAC awards rising 9.9%. They also, however, remain below the target line. With just over 43,000 BACs awarded in 2009, they will need to earn nearly 24,000 more BACs annually to meet the *CTG Plan's* goal of 50,000 BACs by 2010 and 67,000 by 2015.

The *CTG Plan* set a goal of increasing the number of students completing doctoral degrees to 3,350 by 2010 and 3,900 by 2015. Doctoral students in 2009 were well above the trend line for that year, at just under 3,700. Doctorates have increased by 40.4% since 2000, and need to increase just another 5.6% by 2015 to meet the *CTG Plan's* goal.

The *CTG Plan* also set a goal of increasing the number of students completing allied health and nursing bachelor's degrees, associate's degrees and certificates to 20,300 per year by 2010 and 26,100 per year by 2015. Progress in this realm is also steady and above target for 2009. Over 19,900 BACs in these areas were awarded in 2009, just shy of the 2010 goal of 20,300. The

number of BACs awarded since 2000 has increased by 57.4%, and must increase an additional 31.1% percent-- roughly 6,000 more BACs per year -- by 2015.

By other measures, despite being nearly two thirds of the way through the lifespan of *CTG Plan*, Texas remains well below target progress rates in the fields of science, technology, engineering, and mathematics (STEM). The *CTG Plan* set a goal of increasing BACs awarded in STEM fields from 12,000 in 2000 to 24,000 in 2010 and then to 29,000 in 2015. After early increases through 2003, growth in this realm has stagnated and even reversed in some years. As a result, by 2009, only 2,000 additional STEM BACs were being awarded a year. It will be a considerable challenge to grow from awarding roughly 14,000 of these degrees a year, as was seen in 2009, to awarding 29,000 of these degrees a year, the 2015 target.

Progress towards increasing the number math and science teacher certifications in Texas also lags significantly behind the *CTG Plan's* goal. The *CTG Plan* established a goal of increasing the number of teachers certified in these fields each year from just over 2,000 in the year 2000 to 6,500 by 2015. This field showed early signs of growth, however, the field saw a sharp drop in 2004. Despite moderate increases since then in every year except 2009, the growth does not yet account for even a third of the total targeted growth. Certifications must increase by 103% before 2015 to meet the goal.

Finally, the *CTG Plan* stated a goal of increasing the total number of teachers initially certified through all certification routes from slightly more than 10,000 in 2000 to 34,600 by 2010 and 44,700 by 2015. Progress in this area remains well below target, though not as far below target as progress towards increasing math and science teachers. Although growth early in the decade was near or above the trend line, slowing growth and a decrease in growth in 2009 place total growth in this realm below target. Texas must certify nearly 74% more teachers by 2015 to reach the goal established by the *CTG Plan*.

#### *Excellence (Well Below Target)*

*"By 2015, substantially increase the number of nationally recognized programs or services at colleges and universities in Texas"*

The third major goal of the *CTG Plan* is increasing excellence in higher education in Texas. The *CTG Plan* set the goal of increasing the number of research institutions in Texas ranked in the nation's top ten research institutions from zero to one, and a goal of adding two additional research institutions into the top 30 nationwide by 2010. The *CTG Plan* also set a goal of increasing the number of public universities in Texas ranked among the top ten public universities from zero to two, and having four ranked among the top 30 by 2015.

The *CTG Plan* called for increasing the number of public liberal arts institutions from zero to two by 2010, and to four by 2015. Finally, it called for the number of health science centers ranked among the top ten medical institutions to increase from zero to one by 2010, and to two by 2015.

The THECB's annual report indicates that Texas has made no significant progress in the area of adding more top-ranked research institutions, public universities, public liberal arts universities,

or health science centers.

### *Research (Below Target)*

*"By 2015, increase the level of federal science and engineering research funding to Texas institutions to 6.5% of obligations to higher education."*

The final major goal of *CTG Plan* is to increase the level of federal science and engineering research and development obligations to Texas institutions. The research goal serves to keep attention on the need for Texas to compete with other states for national research dollars and projects. Texas seemed to be competing well with other states between FY 2001 and FY 2003, when its share of national obligations ranged from 5.8% to 6.1%. Since then, however, its share has held at around 5.6%. House Bill 51 (81R), authored by Representative Dan Branch, responded to this call for more nationally prominent research universities in Texas by implementing a number of provisions including:

- Creation of the Texas Research Incentive Program
  - Awards matching funds for leveraging private gifts to enhance research activities at the state's emerging research universities
- Creation of the National Research University Fund
  - In 2009, Proposition 4 of House Bill 51 was passed, creating a constitutional amendment to "re-purpose" the constitutional Higher Education Fund (HEF) as the National Research Fund.
    - The change was proposed to assist the state in developing more public universities into national research universities.
  - Provides funds to emerging research universities that meet benchmarks in areas such as research expenditures and quality of entering students, faculty, and graduate programs
- Creation of the Research University Development Fund
  - Intends to help research and emerging research universities attract high quality faculty and enhance research productivity.
  - Appropriated funds would be distributed based on an institution's total research expenditures for the most recent three years
- The Governing Board of each research and emerging research university has submitted to the THECB a detailed, long-term strategic plan addressing how it will achieve or enhance its recognition as a national research university.

Closing the Gaps also aims to increase research expenditures by Texas public universities and health-related institutions from \$1.45 billion in FY 1999 to \$3 billion by 2015, which would be an approximate 5% increase per year. Steady growth since 2000 enabled these universities and institutions to reach the \$3 billion level in FY 2008, which is seven years earlier than the projected FY 2015 target.

### ***Accelerated Action Plan***

While the state has made notable progress on the goals of *Closing the Gaps*, the THECB recommends an "Accelerated Action Plan" (AAP) that places special emphasis on targeted

components of the participation and success goals.

The AAP suggests expanding and developing programs aimed at "proactive intervention" for at-risk students, particularly Hispanic and African Americans. Both groups have made progress towards *Closing the Gaps*, however, challenges to their participation and success persist. The programs advocated by the AAP would increase focus on academic warning signs or other potential barriers to persistence and graduation via "early alert" systems and would also increase emphasis on academic advising, mentoring, tutoring, and other programs designed to "wrap around" students most at risk. The THECB maintains these types of programs would ultimately increase persistence and graduation rates within Hispanic and African American student populations.

Moreover, the AAP includes a Science, Technology, Engineering, and Math (STEM) Accelerated Action strategy that focuses on the preparation and retention of students. The suggested strategy contains 3 ideas:

- Develop statewide STEM articulation curricula between community colleges and universities.
- Expand and promote financial support for students majoring in STEM fields.
  - The THECB states that the Governor's \$100 million STEM Challenge Scholarship initiative will provide incentives for both teachers and students to choose the STEM field.
- Continue emphasis on STEM degree weighting for incentive funding.

The last component of the AAP is a strategy that focuses on increasing the number and quality of teachers. According to the THECB, Texas is falling short in teacher certifications and this will ultimately create barriers within education. The proposed plan contains 4 components.

- Raise the prestige of the teaching profession and offer pathway information.
  - Create a marketing campaign and web portal that targets career transitioning engineering and business professionals who could become teachers.
- Provide unique incentives for STEM and other shortage areas.
  - Provide state stipends to teachers achieving initial certification in STEM fields.
- Increase financial support to individuals entering needed teaching fields.
  - Adjust financial need limits for Educational Aide Exemption program to allow more participation.
- Improve the quality of educator preparation.
  - Provide state funding to institutions and their network of teacher preparation partners for the early field experience of teachers and the development of quality online teacher certification preparation content modules.

### ***Comparison to Peer Institutions***

The THECB includes in its report comparisons of participation, success, excellence, and research between Texas and other large, populous states. In general, Texas falls at average or slightly below average levels compared to these peers.

In comparison to the other nine most populous states in the United States, Texas falls at an average level for its participation rate. While Texas' participation rate (5.3%) has improved and ranks above Florida (5.0%), Georgia (4.8%), and New Jersey (4.6%), it still remains lower than some peer states such as California (7.0%), Illinois (6.5%), Michigan (6.4%), New York (6.0%), Pennsylvania (5.8%), and Ohio (5.5%).

Texas has a lower ranking in the success area, which is measured by degrees awarded as a percentage of the total population. New York (1.3%), Illinois (1.2%), Pennsylvania (1.2%), Michigan (1.0%), Ohio (1.0%), Florida (0.9%), and California (0.9%) all rank above Texas (0.8%), while only Georgia (0.7%) and New Jersey (0.7%) fall below. This below average ranking further demonstrates the need for institutions to invest in infrastructure for student success.

In terms of excellence, Texas institutions are increasingly recognized by national organizations. There is little data comparing the actual number of nationally recognized programs between states; however, Texas has been commended by the Pell Institute repeatedly for its educational studies and services.

Finally, while the state has made progress in securing federal research obligations, Texas still receives less funding than other major states. Data from 2007 shows Texas receiving 5.6% of federal R&D obligations while New York receives 7.9% and California receives 13.8%.

### **Sources**

1. Texas Higher Education Coordinating Board. *Closing the Gaps Progress Report 2010*. June 2010.
2. Texas Higher Education Coordinating Board. *House Higher Education Committee Hearing Report*. 24 February 2010.

## **CHARGE 2**

**Study current financial aid programs, tuition and fee exemption programs, loan repayment programs, and professional incentive programs. Evaluate the impact of need-based versus merit-based assistance. Recommend changes where appropriate to improve the alignment of these programs to meet state needs.**

## **Background**

In 1987, the Texas Charter for Higher Education called for public higher education to be accessible to all those who seek and qualify for admission. The charter stated that "neither financial nor social status should serve as a barrier to opportunities for higher education in Texas. Financial aid as well as academic and social support services should be available."<sup>2</sup> Since then, Texas has made significant investments in programs intended to assist students pay for educational expenses, such as tuition and fees. State financial aid generally appears as grants, work-studies, or loans, however, exemption programs and professional incentive programs are considered financial aid as well.

### *Grant Programs*

Grants provide financial aid that does not have to be repaid and are typically awarded on the basis of financial need. They may require the student to maintain a certain grade point average or complete specific courses, however requirements vary by program.

Currently, the Towards EXcellence, Access, and Success (TEXAS) Grant is the largest financial aid service in the state. Established in 1999 to provide access to higher education for academically prepared high school graduates with financial need, the TEXAS Grant pays tuition and fees at the state's public colleges and universities. A student is eligible for the TEXAS Grant if they are in need financially, complete the Texas Recommended High School Program, and meet the programs academic standards. If a student recipient meets continuing eligibility requirements while in college, they are eligible for the grant for up to 150 hours, five years, or until the student acquires a bachelor's degree.<sup>3</sup> The award amount is equal to the statewide average of a student's tuition and required fees, institutions must make up any remaining cost beyond what is covered by the TEXAS Grant. For the 2009/2010 school year, the maximum amount was \$6,080 per year for universities and state colleges, \$1,780 per year for community colleges, and \$2,680 per year for public technical colleges. The THECB estimates that a total of over \$600 million will be awarded through the TEXAS Grant program to over 100,000 students in 2010-2011.<sup>4</sup>

In addition, the state offers the Texas Educational Opportunity Grant (TEOG). Created in 2001, the TEOG provides grant aid for tuition and required fees to students with financial need enrolled in Texas public two-year colleges. Eligible institutions include public community colleges, technical colleges, and state colleges, such as Lamar State College at Port Arthur and Lamar Institute of Technology. Students who continue in college and who meet continuing eligibility requirements may receive TEOG awards for up to 75 hours, for four years, or until they receive an associate's degree.<sup>5</sup> For 2009-2010, the award amount was \$6,080 per year for universities and state colleges, \$1,780 per year for community colleges, and \$2,680 per year for public technical colleges. An increase in TEOG funding was a priority of the THECB for the 81st Legislature and TEOG funding increased to a total of \$24 million for the 2010-2011 biennium. Despite increased funding for the TEOG, tuition and required fees have risen, therefore decreasing the number of students who receive a grant. For example, although 2010-2011 funding increased 71% over the previous biennium, grants will only be available for less than 5% of eligible students.<sup>6</sup>



Public colleges and universities in Texas may also utilize the Texas Public Education Grant (TPEG) program. Created in 1975, the TPEG is funded through a 15% tuition set-aside as part of a student's statutory tuition. Each institution may set its own priorities in making awards and may set its own maximum award amounts. Generally, the award amounts are dependent on both the student's financial need and the institution's cost of attendance. A student's eligibility is determined by the financial aid office at their respective institution.<sup>7</sup> In FY 2009, over \$131 million was awarded in need-based grant aid to approximately 106,000 students.

Also available is the Tuition Equalization Grant (TEG), which was enacted in 1973. The program is for students at private, non-profit, accredited institutions and helps reduce the need for building additional capacity at public higher education institutions. Funded through state general revenue, the maximum TEG award is based on the average appropriation per student enrolled in a public institution. The award amount cannot exceed \$3,808 per year unless the student's expected family contribution (EFC) is less than \$1,000, in which case the maximum award is \$5,712. The TEG program's initial eligibility requirements are similar to those of the TEXAS Grant Program, and students can continue to receive TEG awards by meeting GPA and credit hour completion requirements.<sup>8</sup> In FY 2008, \$102.8 million was disbursed to private institutions of higher education and 31,143 students received an award.

The fifth and final Texas grant program is the Texas Career Opportunity Grant (TCOG). The purpose of the TCOG is to help ensure a qualified workforce to meet the needs of Texas by reducing barriers to postsecondary career education and training. The maximum grant amount is specified by the Texas Legislature and a student's precise award is based on their enrollment level (full time v. half time).<sup>9</sup> Grants are awarded to eligible students attending institutions identified by the Texas Workforce Commission. In 2009, the Texas Legislature passed House Bill 3519, which was authored by Representative Dan Branch, joint authored by Rep. Donna Howard and Rep. Angie Button, and sponsored by Sen. Juan Hinojosa. HB 3519 states that the Texas Workforce Commission and the THECB shall enter into a Memorandum of Understanding for the coordination and administration of the TCOG. As a result of the bill, all functions related to the administration of the TCOG have been transferred to the THECB.<sup>10</sup>

### *Loan Programs*

In addition to grant programs, Texas also administers the Hinson-Hazlewood (HH) College Student Loan Program and the B-On-Time (BOT) Loan Program. The HH Loan Program was created in 1965 to provide low interest loans to students who are Texas residents and/or are eligible to pay in state tuition. Funded in whole through the sale of general obligation bonds, the HH Loan Program consists of two smaller loan programs: the College Access Loan (CAL) and the Health Education Loan Program (HELP).

The CAL provides alternative education loans to Texas students who are unable to meet the cost of attendance. Students may borrow an amount up to the cost of attendance less other financial aid each year. To be eligible, a student must be a Texas resident; be enrolled at least half time in a course of study leading to an associate's or higher degree or be enrolled in an Alternative Educator Certificate Program; and meet the satisfactory academic progress requirements set by the institution. Students do not have to demonstrate financial need.<sup>11</sup> The CAL has a 20-year repayment period with a minimum \$50 monthly payment. In 2009, 94.7% of the CAL funds

borrowed were by students enrolled at universities.<sup>12</sup>

The HELP was created to provide educational loans to Texas students enrolled in the following programs of study: medicine, osteopathy, dentistry, podiatry, veterinary medicine, pharmacy, public health, nursing, and allied health. Its eligibility requirements are similar to those of the CAL, with the exception that any permanent U.S. resident may apply. Pharmacy, public health, nursing, and allied health students are limited to \$12,500 per academic year (\$50,000 lifetime total limit) while the remaining fields are limited to \$20,000 per academic year (\$80,000 lifetime total limit). The HELP has a \$50 minimum monthly repayment with a 25 year repayment period. In 2009, 40.3% of borrowers were students enrolled at universities, 5.5% were enrolled in community colleges, and 54.2% were enrolled in public health related institutions.<sup>13</sup>

The B-On-Time Loan Program provides eligible Texas students with no-interest loans to attend colleges and universities in Texas. If the student graduates with at least a B average in four years (or other time frame depending on program), the entire loan amount is forgiven. It currently awards up to \$6,080 per year for a student at a four year public or private institution, \$1,780 per year at a two year institution, and \$2,690 per year at public technical colleges. Students must complete the Texas High School Recommended Plan to be eligible for the first year and must meet the program's academic standards to be eligible for subsequent years. Although there is no financial need requirement in the program, most BOT Loan recipients are TEXAS Grant eligible students that did not receive a TEXAS Grant due to funding shortfalls.<sup>14</sup> In the current biennium, the BOT is funded with \$52 million in general revenue and collected tuition set asides. Collections for FY 2009 totaled \$35.2 million and is conservatively estimated to reach \$38 million in 2010 as designated tuition continues to rise.<sup>15</sup>

### *Loan Repayment Programs*

There are seven programs to recruit and retain individuals into certain professions the state has determined as critical to fill. Repayments are paid annually upon completion of the eligible service, contingent upon availability of funds.<sup>16</sup> The loan repayment programs (LRP) are:

- Physician Education LRP
  - To encourage qualified physicians to practice medicine in a federally designated Health Professional Shortage Area (HPSA) and to provide services to Medicaid and Texas CHIP recipients.
  - \$160,000 maximum aggregate award amount per recipient
  - Funded through a combination of state general revenue, tuition set-asides, and tobacco tax
  - Repayment amount is based on the total eligible student loan debt at the time of acceptance into the program
  - In 2009, 54 of 65 applicants received awards
  - The sum of these 54 awards for 2009 was above \$800,000
  
- Dental Education LRP
  - To recruit and retain qualified dentists to provide dental services in federally designated Dental Care Health Care Professional Shortage Areas (DHPSA) or federally funded community health centers for at least 12 consecutive months

- \$10,000 maximum annual loan repayment for an eligible dentist providing full time service
- Funded by state general revenue and tuition set asides
- In 2009, a total of \$154,00 was distributed between the 16 eligible students who applied
- The amount of available funding for the DELRP has consistently met demand
  
- Children's Medicaid LRP
  - To increase access to healthcare for Medicare-enrolled beneficiaries under the age of 21 by encouraging qualified primary care, specialty, and subspecialty physicians and dentists to participate in the Medicaid program
  - \$140,000 maximum aggregate award amount per recipient
  - Funded by general revenue appropriation made to the Health and Human Services Commission but distributed by the THECB
  - A total of \$12 million will be available for approximately 300 awards for the first cohort in fall 2010
  
- Border County Doctoral Faculty Education LRP
  - To recruit and retain persons holding the doctorate as full-time faculty with instructional duties at Texas institutions of higher education located in counties that border Mexico
  - \$5000 maximum annual state funded loan repayment per eligible faculty member for up to 10 years
  - Funded through state general revenue
  - In 2009, a total of \$197,813 was distributed among 40 of the 48 applicants
  
- Doctoral Incentive LRP
  - To attract members of underrepresented groups to full-time service on the faculties or administrations of public and private or independent institutions of higher education in Texas
  - \$20,000 maximum annual repayment amount, with a \$100,000 lifetime total
  - Participation is limited to 5 years
  - Funded by general revenue appropriations and tuition set-asides
  - In 2009, a total of over \$1,000,000 was distributed between 54 individuals
  
- Teach for Texas LRP
  - To recruit and retain classroom teachers in communities and subjects for which there is an acute shortage of teachers in Texas
  - \$5,000 maximum annual repayment; \$20,000 maximum aggregate amount, with a 5 year participation limit
  - Funded by state general revenue and receipts from the Teach for Texas Conditional Grant Program
  - In 2009, the total sum of awards was \$5,675,047
    - 1,000 of 4,823 applicants received assistance
  - This program is oversubscribed and many eligible applicants are denied repayment due to insufficient funds

- Educational LRP for Attorneys Employed by the Office of the Attorney General.
  - To recruit and retain attorneys in the Office of the Attorney General (OAG) of the State of Texas
  - \$6,000 maximum annual award; \$18,000 maximum aggregate award
  - Funded by general revenue appropriations and tuition set-asides
  - In 2009, over \$321,000 was distributed among 95 of the 104 eligible applicants
    - Recipients are selected by the OAG
  - The estimated funding for this program for FY 2010 is \$550,407 but because of an unexpended balance of \$400,407 the estimated funding for FY 2011 has decreased to \$150,000

### *Exemption/Waiver Programs*

Exemption and waiver programs are authorized by the Texas legislature and provide a monetary benefit to qualifying students via a reduction in tuition, fees, or both. Exemptions allow special groups of Texas residents or nonresidents to enroll and pay a reduced amount of tuition and fees. Waivers allow special groups of non Texas residents to enroll and pay a reduced nonresident tuition rate. Some programs are large and well-known, such as the Hazlewood Exemption which provides an exemption from tuition and fees for all Texas veterans. Others are more obscure and uniquely targeted, such as the Olympic Programs Waiver which waives out-of-state tuition rate for any student attending UT Brownsville or Texas Southmost College while participating in a Community Olympic Development Program or training at a U.S. Olympic training center in Texas.<sup>17</sup>

These programs are designed to reward individuals for services rendered or are used to strengthen the higher education system through the recruitment of faculty, research and teaching assistants, and highly-qualified students. A student's eligibility and reduced tuition/fees are determined by the program and by the institution the student is attending. Not all exemption and waiver programs are mandatory, which means that some institutions may offer a program while another may not. Unlike many other financial aid programs, these are not funded by the state. Instead, institutions are required to cover the "costs" of the programs via foregone tuition and fees; however, formula funding dollars are still generated for the institution. Currently there are 37 exemption programs and 21 waiver programs. In FY 2008, more than 202,500 students received assistance through these programs, and the amount of tuition and fee revenue foregone by institutions totaled almost \$356 million, with \$272.1 million associated with mandatory programs and \$83.5 million to optional programs.<sup>18</sup>

### **Findings & Recommendations**

***THECB Recommendation: Realign TEXAS Grant academic requirements with changes made in the P-12 sector to attain better results for the significant investment made by the state.***

*Impact of Need-Based versus Priority-Based Assistance*

Currently, the Texas legislature and THECB are studying ways to restructure financial aid programs, making them more efficient and effective in promoting student success. This research has increased recently due to estimates of the Texas budget shortfall and the expectation that higher education funding will undergo serious financial cuts. In response to the possible reduction in funds, the THECB is suggesting that the TEXAS Grant program replace its current need-based and "first come, first serve" application process with a "Priority Model," which would target TEXAS grants to students who are college ready as well as financially needy.

According to the THECB's most recent report on the subject, the Priority Model aims to promote student success by ensuring students who receive grants are college ready, and therefore better able to complete their college courses. The TEXAS Grant would continue to serve students with the greatest need (EFC less than or equal to \$4,000) and no institution would experience a decrease in its share of TEXAS Grant allocations for initial awards (assuming level state funding). In addition, 100% of renewal students would be funded. The major change to the grant program would be the requirements a student must meet in order to receive funds. Under the present system, a student is required to demonstrate financial need and complete the Texas Recommended High School Program. Under the new system, however, a student would have to demonstrate financial need as well as complete 2 of 4 criteria categories to receive priority designation. The 4 criteria categories are as follows:

1. Advanced Academic Programs
  - 12 hours of HB-1 College Credit Programs (e.g. dual credit, AP courses)
  - Distinguished Achievement Program (DAP); or
  - International Baccalaureate Program
2. Texas Success Initiative (TSI) Readiness
  - Meet thresholds on TSI assessments
  - Qualify for TSI Exemption
3. Class Standing
  - Top one-third
  - B average
4. Rigorous Math
  - Math course greater than Algebra II

Students who meet two of the four priority criteria would secure a place at the front of the TEXAS Grant line, then institutions would be able to redistribute remaining TEXAS Grant awards to other needy students who meet the current eligibility requirements. The THECB advocates that the new criteria effectively demonstrates whether or not a student is college ready and uses several sources to support this.

- Clifford Adelman, *The Toolbox revisited: Paths to degree completion from high school through college*, 2006.
  - "The academic intensity of the student's high school curriculum still counts more than anything else in pre-collegiate history in providing momentum toward completing a bachelor's degree."
  - "...between the 1980s and 1990s, class rank/GPA moved markedly ahead of senior year test score in its contribution to predicting student success in higher education."

- ACT, *What We Know About College Success*, 2008.
  - "Students who are ready for college are less likely to need remediation in English or mathematics than students who are not ready (typically by 36 to 47 percentage points, regardless of gender, race/ethnicity, or family income."
- William Bowen, Matthew Chingos, & Michael McPherson, *Crossing the Finish Line: Completing College at America's Public Universities*, 2009
  - "...high school GPA remains a highly significant predictor of six year graduation rates after taking account of the effects of test scores."
- ACT, *Mind the Gaps: How College Readiness Narrows Achievement Gaps in College Success*, 2010
  - "...student who take higher-level mathematics courses beyond Algebra II are two to three times less likely to need remedial coursework in mathematics..."

Moreover, the THECB reports that in FY 2009, 13,226 (or 70.5%) of students at <\$4,000 EFC met 2 of the 4 suggested criteria. However, 6,461 of these 13,226 students (48.9%) did not receive a TEXAS grant because of the "first come, first serve" policy, which the THECB sees as detrimental to the states graduation rates. Finally, the THECB gives evidence that the distribution of TEXAS Grants in terms of population would change little under the priority model.<sup>19</sup>

	African American	Hispanic	White	Other
% Actual Awards (FY 05-FY 09)	20.1%	46.5%	23.7%	9.7%
% Awards Priority Scenario (FY 2009)	21.6%	45.7%	23.5%	9.2%

Despite strong THECB support, the TEXAS Grant Priority Model is not without opponents. For example, Luis Figueroa, Staff Attorney to the Mexican American Legal Defense and Educational Fund (MALDEF), raised several concerns about the Priority Model during his testimony to the House Appropriations Sub-Committee on Education (October 5, 2010). Mr. Figueroa argues "that all students eligible for TEXAS Grants are academically deserving of financial aid" because the "TEXAS Grant program already establishes stringent criteria for eligibility," referencing current requirements such as completion of the Recommended High School Program at an accredited high school in Texas. In addition, Mr. Figueroa suggests that the use of standardized tests (ACT/SAT) as criteria within the priority model is unfair and undermines access to higher education for Latino, African American and lower socioeconomic status students. The THECB responded to this critique by pointing out that students may satisfy the TSI Readiness criteria through means besides the ACT and SAT, such as the TAKS test or military service. Also, a student must only fulfill two of the four criteria areas within the Priority Model, allowing those students who fall short of the TSI Readiness criteria to qualify under any two of the other criteria.<sup>20</sup>

Opponents of the Priority Model, including Mr. Figueroa of MALDEF, suggest that TEXAS Grant prioritization should first go to the most economically disadvantaged students. One proposed system would "sub-group" students based on their expected family contribution and then prioritize them within their subgroup based on more stringent merit based criteria.<sup>21</sup> Advocates of the Priority Model argue that subgroups are unnecessary and that the new system would still fund the majority of disadvantaged students, citing the fact that 70.5% of current TEXAS Grant applicants already meet the new criteria.<sup>22</sup>

In closing, the THECB states that increasing student success is critical to achieving the goals of Closing the Gaps and that the TEXAS Grant Priority Model would produce better results for the state's continued investment.<sup>23</sup>

**CHARGE 3**

**Review the structure and operation of the Texas Higher Education Coordinating Board.  
Evaluate the board's data collection systems, including costs to higher education  
institutions, and make recommendations for improvements.**



## **Background**

### ***Agency Overview***

The Legislature created the Texas Higher Education Coordinating Board (the Coordinating Board) in 1965 to ensure quality and efficiency in the state's public higher education system. The Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions, and other entities to help Texas meet the goals of the state's higher education plan, *Closing the Gaps by 2015*, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.<sup>24</sup>

The Coordinating Board is currently comprised of nine members from all geographic regions of the state who are appointed to overlapping six-year terms by the Governor and confirmed by the Texas Senate. The Coordinating Board meets quarterly in Austin.

Board members appoint a Commissioner of Higher Education as the chief executive officer for the agency. The Commissioner acts as the state's chief expert on higher education, making recommendations and carrying out higher education initiatives on behalf of the Coordinating Board.

Most of the Coordinating Board's statutory authority is found in the Texas Education Code, Chapter 61, Section 61.002(a). The Coordinating Board is directed to "provide leadership and coordination for the Texas higher education system, institutions, and governing boards, to the end that the state of Texas may achieve excellence for college education of its youth through the efficient and effective utilization and concentration of all available resources and the elimination of costly duplication in program offerings, faculties, and physical plants."

In order to meet its statutory obligations, the Coordinating Board performs the following duties<sup>25</sup>:

- Establishes state higher education plans, and gathers, analyzes, and provides information and data on higher education.
- Reviews and recommends changes in formulas for allocation of state funds to public institutions.
- Approves and coordinates degree programs at higher education institutions and the construction of major facilities at public higher education institutions, except community colleges.
- Administers state and federal programs to expand access, raise quality, improve efficiency, and increase research in higher education.
- Administers the state's student financial aid programs.

The Coordinating Board's operating budget for FY2011 is approximately \$945 million; 5% (\$46.6M) of which is dedicated to operating expenses, while the remaining 95% (\$898.7M) are trusted to the agency through special item appropriations that the agency will allocate to higher education institutions and students throughout Texas.<sup>26</sup>

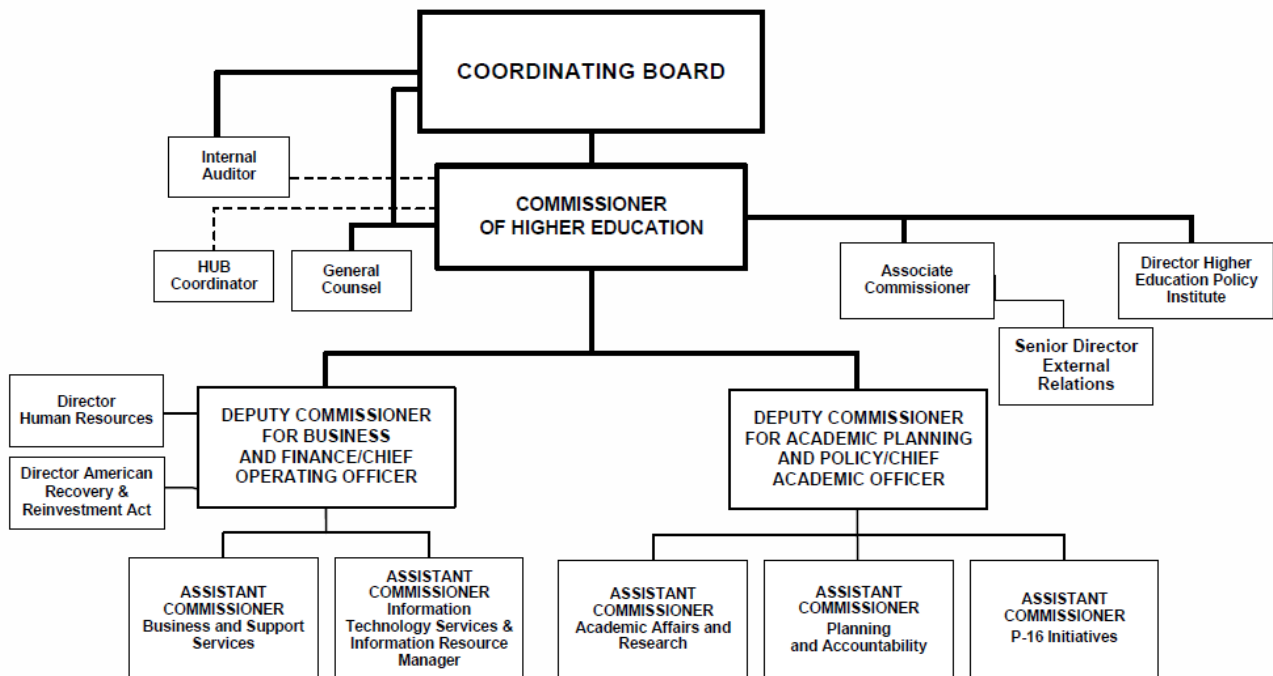
The Coordinating Board is currently staffed by 310 full-time (FTE) positions - the agency's cap. Less than half of the Board's FTEs are funded through general revenue. Repayments and

administrative fees on Coordinating Board administered loan programs, as well as administrative funds included with Board administered federal programs and private grants, directly support the majority of Board staff members.<sup>27</sup>

### *Agency Structure and Operation*

The Coordinating Board went through a reorganization four years ago with the explicit purpose of reaching the *Closing the Gaps* goals. Reorganization included the creation of new divisions to increase efficiency and standardization as well as the hiring of key staff with experience in the public school sector and programming evaluation. The chart below illustrates the Coordinating Board's current structure.

### **Texas Higher Education Coordinating Board**



As the chart demonstrates, the Coordinating Board is essentially divided into two major areas, each headed by a Deputy Commissioner. The areas are: (1) Academic Planning and Policy, and (2) Business and Finance.

### *Academic Planning and Policy*

Academic Planning and Policy is divided into three areas, each headed by an assistant commissioner:

- Academic Affairs and Research
- Planning and Accountability
- P-16 Initiatives

Academic Affairs and Research is responsible for administration and monitoring of academic programs, professional programs, research and grant programs, and federal programs. Duties include:

- Promoting and monitoring the academic integrity of public institutions
- Reviewing degree programs
- Providing continual assessment of academic programs and statewide policies
- Oversight of programs that traditionally lead to the practice of an occupation or profession
- Assessment of institutional effectiveness of community and technical colleges workforce education programs
- Oversight of competitive scientific research and workforce and medical education programs at public and independent colleges
- Collection, maintenance and publishing of university and health-related institution data
- The evaluation special item-funded research programs at Texas higher education institutions
- The review of institutional restricted research projects
- The preparation of annual research expenditures reporting for general academic and health-related institutions

Planning and Accountability is responsible for ensuring accurate and timely institutionally reported data is available to the agency for purposes of higher education analysis and reporting. Planning duties for this office include:

- The continued development of the accountability system, the agency's strategic plan, and the Board's planning efforts, including *Closing the Gaps by 2015*
- Reviewing and recommending changes to the formula for allocating legislative funding to higher education
- Conducting facilities review for higher education institutions

The Assistant Commissioner for P-16 Initiatives is responsible for college readiness, educator quality, and P-16 outreach. Duties for this office include:

- Coordination and strengthening of academic programming between public and higher education
- Oversight of various federal and state funded grants aimed at improving the preparation and quality the Texas educator workforce
- Outreach efforts between and among educational entities, community organizations, and businesses at the regional and local levels to promote a college-going culture

### *Business and Finance*

The Office of Deputy Commissioner for Business and Finance/Chief Operating officer provides direction and leadership for all business management functions. The office of Business and Finance provides assistance to the legislative appropriation process, oversight of the Optional Retirement Program, and is liaison to the State Office of Risk Management. Also housed within the Business and Finance office are Building & Facilities Services, which provide support services relative to monitoring and maintaining building and facilities.

Other responsibilities for the office of Business and Finance include human resources functions, information technology support, federal grant administration, and the administration of student loans, grants and other financial aid programs (for details on financial aid programs administered by the Coordinating Board, see interim Charge 2).

## ***Data Collection***

### ***Higher Education Accountability System***

Texas institutions of higher education are required to provide a series of standard reports to the Coordinating Board on a continual basis. The reports that must be submitted contribute to the Higher Education Accountability System. This system was instituted in October 2004 in response to Governor Rick Perry's Executive Order RP 31, which called for the Coordinating Board and higher education institution systems to work together to provide the "information necessary to determine the effectiveness and quality of the education students receive at individual institutions" as well as "the basis to evaluate the institutions' use of state resources."<sup>28</sup>

The Accountability System provides data for thirty-five public universities, nine health-related institutions, the four Texas State Technical Colleges and three two-year Lamar State Colleges.<sup>29</sup> Each semester higher education institutions certify and submit institutional data to the Coordinating Board in the form of Coordinating Board Management (CBM) reports, which include data on student enrollment, classes, and faculty. The Coordinating Board uses reports to calculate enrollment funding, to plan strategically, to aid and improve institutional effectiveness, and to compute the accountability measures. The accountability measures follow the framework of categories specified in the state higher education plan *Closing the Gaps*.<sup>30</sup>

Within the Accountability System, institutions are organized into small peer groups based on their general academic missions as well as key academic indicators such as size and number of graduate programs and research expenditures. This structure aims to improve institutional performance by having group members meet one to two times annually to review measures and data, share successful strategies, and review or set targets. The groups are not permanent or prescriptive and are reviewed every two years to reflect current institutional missions.<sup>31</sup>

Institutional groups and Coordinating Board staff meet two to three times annually to determine the best method of calculating measures based on information already provided, therefore eliminating the need for additional reporting by the institutions. In addition, Coordinating Board staff meets with the Data Collection Committee periodically to review all new data collection in an effort to reduce redundancy and to ensure information is collected in a format that allows analysis.<sup>32</sup>

Overall, the Coordinating Board's Higher Education Accountability System intends to convey information about the performance of the entire higher education establishment and its sectors (types of institutions), as well as about individual institutions.<sup>33</sup>

### ***Accountability System Alignment with Legislative Budget Board Performance Measures***

In addition to the Coordinating Board's data collection system, data on the performance of Texas higher education is also collected and reported by the Texas Legislative Budget Board. The LBB's measures are calculated by each individual institution and are focused on the performance of each institution. According to State Auditor's Office report in 2007, the differences between definitions and calculation methodologies used by the LBB and the Coordinating Board resulted

in the publication of different data for measures that appeared to be identical.<sup>34</sup> The 79th Texas Legislature sought to eliminate the confusion and align the performance measures of the two systems through Rider 54, page III-258, the General Appropriations Act. It states that the LBB and the Coordinating Board "shall use the appropriations in this Act to work with all institutions of higher education to align the performance measures for all institutions of higher education." Rider 54 of the Act also stipulated that the Coordinating Board file a report providing recommendations to align the two sets of measures to the LBB by December of 2005.

Also during the 79th Texas Legislature, Senate Bill 1226 required the LBB and the Coordinating Board to "study each reporting requirement imposed on an institution of higher education by state law, including by board or other state agency rule, to determine if any of those requirements are duplicative, inefficient, or unnecessary."<sup>35</sup> In a collaborative response to SB 1226, the LBB solicited (via survey) institutional input on reports required by the Coordinating Board and other state agencies, while the Coordinating Board reviewed, evaluated, and improved its reporting requirements.<sup>36</sup>

### *Financial Aid Database System*

Under General Appropriations Act, SB 1, Rider 28, the 81st Texas Legislature mandated that the Coordinating Board "present an annual report concerning student financial aid at Texas public and independent institutions of higher education."<sup>37</sup> In response, the Coordinating Board instituted the Financial Aid Database System (FADS), which is a report of college students who apply and/or receive some type of financial assistance through their institution. Each institution participating in state financial aid programs is required to submit information for students who applied and/or received aid, creating a fairly complete picture of higher education financial aid in Texas. In addition, the system collects a limited number of student demographic statistics, such as ethnicity and estimated family contribution (EFC), plus award amounts for 40 different federal, state, and other financial aid programs.<sup>38</sup> The information the FADS collects allows the Coordinating Board to analyze the distribution of financial aid among Texas students and assess the adequacy of aid resources. Moreover, the data allows staff to allocate state aid resources in keeping with the enrollment patterns of eligible students.<sup>39</sup>

## **Findings & Recommendations**

### *Comparative Perspective*

As its name implies, the Coordinating Board is responsible for the coordination, not the governance, of the state's postsecondary education system. Twenty-three states, including Texas, are considered coordinating board or agency states. Coordinating boards in these states typically meet their obligations through functions such as strategic planning and policy, making budget recommendations, establishing institutional missions, reviewing and approving academic programs, and administering state student assistance programs. Alternatively, twenty-four states are considered consolidated governing boards states. These governing boards resemble those of boards of directors for nonprofit corporations and typically govern institutions through appointment of institutional presidents or by setting faculty personnel policies. In Texas, as in other coordinating boards states, the governance of institutions is the responsibility of two or more governing boards for systems, such as the University of Texas Board of Regents.<sup>40</sup>

Dr. Aims McGuinness, a senior associate with the private nonprofit policy center National Center for Higher Education Management Systems (NCHEMS), provided testimony to the Committee on the nature of coordinating boards and the characteristics of effective boards. Dr. McGuinness described effective boards as those boards that:

- Focus on developing and gaining commitment to long-term goals for the state
- Link finance and accountability to state goals
- Emphasize the use of data to inform policy development and public accountability
- Emphasize mission differentiation
- Focus on core policy functions

Dr. McGuinness detailed the common issues facing coordinating boards across the United States, including:

- Too much focus on internal institutional issues, not major state priorities
- Workloads dominated by administrative and regulatory functions driving out attention to policy leadership
- Limited policy analysis capacity
- Turnover of executive leadership

### ***FSG Social Impact Advisors: External Analysis & Recommendations***

In the fall of 2009, The Coordinating Board enlisted the services of FSG Social Impact Advisors, a nonprofit 501(c)(3) organization, dedicated to accelerating social progress by advancing the practice of philanthropy and corporate social responsibility. The Coordinating Board's work with FSG focused on the development of the Accelerated Plan for *Closing the Gaps*, creating a Long Term Vision for Higher Education in Texas, and organizational changes that would enhance the Coordinating Board. FSG's role was not that of a third-party evaluating the structure and functions of the Coordinating Board; rather, FSG worked in collaboration with senior Coordinating Board staff to determine recommendations for improving the organization's ability to achieve *Closing the Gaps*.<sup>41</sup>

FSG's recommendations addressed some of the common coordinating board issues identified above by Dr. McGuinness. Specifically, FSG recommended that the Coordinating Board address workload management challenges. Examples of how workload management could be improved within the agency include:

- Hiring a productivity consultant to conduct an audit of activities and processes and make recommendations to enhance productivity and reduce workload in non-priority areas
- Develop processes at the department level to differentiate timelines and resources based on relevance to agency priorities and ensure time is appropriately prioritized on highly relevant work
- Develop a Planning and Accountability knowledge management system to catalog responses to stakeholder requests and more efficiently respond to repeat requests

Small but significant changes to the agency's structure and processes were also suggested by FSG. These changes should allow the Coordinating Board to more effectively use its resources to successfully pursue the strategies in the Accelerated Plan. Recommended changes include:

- Increasing the agency's focus on partnering with the workforce:
  - FSG advised that the agency would benefit from assigning a senior-level staff member as well as a specific member of the external relations team to this focus.
- Creating a community college inter-division team to ensure staff working on critical issues related to community colleges communicate better and are more responsive to stakeholders
- Adding a senior leader from the community college field who has community college field experience
- Strengthening the developmental education team at the agency
  - Recognizing resource constraints, FSG recommended either shifting head count into this team, or pursuing philanthropic support to grow this team.

In response to FSG's analysis, Commissioner Raymund Paredes implemented internal changes to the operation of the Coordinating Board. Commissioner Paredes re-purposed the regular meetings held with executive officers within the agency to include a strategic focus on *Closing the Gaps* and the Accelerated Action Plan. Furthermore, the agency has created a special teams of key personnel to address community college and workforce issues.

### ***Reporting Requirements for Institutions***

*Recommendation: Evaluate the usefulness of required reports; eliminate reports where appropriate.*

A major concern with data collection is the cost of maintaining a data system to institutions. In 2004, a report was produced by the Texas Association of State Senior College and University Business Officers (TASSCUBO) listing 258 reports that universities and other institutions file with state agencies and offices. TASSCUBO also identified the estimated annual cost to prepare the report as well as the estimated labor cost. They estimated that the statewide annual cost to universities and other institutions of complying with the Coordinating Board's reporting requirements was \$13 million, an average of \$179,000 per report. About half this cost was associated with financial aid reporting. TASSCUBO also estimated there to be 119 full time equivalent employees, an average of 1.7 per report, working on these reports.<sup>42</sup> Furthermore, TASSCUBO revealed the universities' frustration with reports that required considerable effort but had little apparent value.

According to TASSCUBO's investigation, 22 of the 61 Coordinating Board reports were ranked as having "low" and "very low" perceived value to the state. These low ranked reports tended to be the most problematic and convoluted, causing universities to advocate for their removal from the system. For example, several institutions were highly critical of the Texas Success Initiative Report, finding it to be of little importance to the State and extremely difficult to complete. While this specific report was removed from the list of mandatory reports, representatives of the public universities continue to meet with the Coordinating Board to review and update the reporting requirements. The universities and Coordinating Board are committed to streamlining the reporting process through the elimination of outdated or duplicative reports, as well as other time-saving approaches, and hope to work with the Texas Legislature on the system's overall efficiency.

In his testimony before the Committee, Michael McKinney, chancellor of the Texas A&M University System and chairman of the Council of Public University Presidents and Chancellors (CPUPC), suggested a sunset process for required reports by which originators of the required reports could indicate a desire to continue the report if the data is not readily available elsewhere. Ideally, usefulness of each report could be reaffirmed by the Coordinating Board and the legislature every 6 years.

### *Challenges in Data Collection*

The Coordinating Board has expressed concern regarding the increased reliance on data and the corresponding increase in issues related to timeliness, accuracy (in the data itself as well as in its analysis), and security. For example, the process of certifying data provided by each public institution in a timely manner has become a challenge as institutions adopt new software, and some institutions have limited the number of staff available to respond to various state and federal reporting requirements.<sup>43</sup>

### *Higher Education Accountability System*

The Coordinating Board maintains that the Accountability System is more comprehensive than systems used nationally, such as the Integrated Postsecondary Education Data System (IPEDS). Whereas the IPEDS calculates graduations for same institutions for comparison across institutions and states, Texas calculates graduation rates for same and other institutions. Moreover, IPEDS and others do not accurately include part time students in data, while Texas does capture these students as part of the total degree count. The Texas system also captures transfer student data in graduations rates, which the IPEDS does not.<sup>44</sup>

In recent years the Coordinating Board has made efforts to make the data compiled in the Accountability System be more relevant, more accessible, and more user-friendly. Currently, the Coordinating Board is redesigning their data website and developing online "Institutional Resumes" to make information more readily available and understandable. In addition, a project has been initiated to find more efficient ways of electronic document management. Despite the progress made in these areas, however, the constantly growing volume of information calls for more improvements to the system.

### *Financial Aid Database System*

The Financial Aid Database System also faces unique challenges. Because the FADS is a financial report, it revolves around the end of the state fiscal year as opposed to the typical academic year used in other reports submitted to the Coordinating Board. This causes confusion in the comparison of reports as well as a delay in achieving real-time financial aid data. Furthermore, many institutions and researchers encounter difficulties in accessing the FADS. Federal privacy laws, such as Family Educational Rights and Privacy Act (FERPA), affect the ability of the Coordinating Board to share data that is necessary for studying and analyzing student information. Consequently, the Coordinating Board must continue to develop methods that allow access to the needed data while still respecting students' privacy and must also



encourage other agencies to consider using innovative, alternative data-sharing methods.<sup>45</sup>

### ***Recommendations on Improving Data Collection***

In addition to its structural and operational recommendations, FSG recommended that the Coordinating Board carefully review its reporting requirements and work to eliminate reports that do not advance agency goals. FSG recognized that timely data is crucial to making relevant analysis about institutions as well as to assertively guiding policy. They suggested that the Coordinating Board can more assertively recognize best practices at institutions, create transparency in institutions, and influence change across the state by implementing data systems that can provide up to date information.

Additionally, the University of Texas at Austin presented a new form of data system, the Information Quest (IQ), to the Committee and suggested that Texas consider its implementation statewide. UT Austin claims the IQ system covers a greater spectrum of data, turns this data into management information more efficiently, and can answer more complex questions such as "how can we optimally utilize space, people, and financial resources to maximize productivity?" Texas would face practical challenges in instituting the IQ system statewide, but UT Austin advocates that the system would ultimately improve efficiency and integrity of information by creating college-centric data systems and establishing ongoing enhancement groups to accommodate the changes.

#### **CHARGE 4**

**Study and recommend strategies for improving community college participation and success. Examine the role of community colleges within the state higher education system. Include a review of programs, practices, and incentives to improve efficiency and productivity, such as expanding dual credit options, encouraging credit by examination, and improving student preparation in high school.**

## **Background**

Higher education enrollment in the State of Texas experienced the single largest year over year increase in FY 2009. This increase was the largest since the Texas Higher Education Coordinating Board (THECB) began collecting enrollment data almost 50 years ago. As in years past, public 2-year institutions (including community and state technical colleges) led the way in annual enrollment growth and continue to represent the greatest proportion of higher education enrollment. Enrollment at public 2-year institutions increased 52% from 2001 to 2009 and has increased its proportion of all higher education enrollment from 45% to 50% over the same period of time. At the freshmen and sophomore levels, 73.5% of all students in Texas public higher education enroll in community colleges. Additionally, 75% of minority freshmen and sophomores in Texas public higher education attend a community college.<sup>46</sup>

With regard to success outcomes, community colleges are on pace to meet their *Closing the Gaps* goals. The Coordinating Board reports that the total number of degrees and certificates awarded by community colleges has risen from 37,395 in 2000 to 55,809 in 2008; an increase of 49%. Moreover, 29.4% of first-time, full-time community college students in the FY 2008 cohort earned a degree or certificate within six years, compared with 25.7% for the FY 2000 cohort. The FY 2008 success rate, however, was lower than for the cohort completing six years in FY 2007 (30.8%).<sup>47</sup>

Transfer from a 2-year institution to a 4-year institution is an important measure of success in community college. Since 2000, the total number of students transferring from community college to a 4-year institution has increased 75%.<sup>48</sup> While overall enrollment is significantly up, the increase in transfers outstrips the growth in enrollment, indicating transfer success is more than simply a function of an increased headcount.

Community colleges receive funding from three main sources: student tuition, local tax revenue, and state appropriations. Tuition at Texas community colleges continues to remain relatively low. A survey by the Texas Association of Community Colleges found the average total of tuition and fees for the Spring 2010 semester for a community college student carrying a 12 hour course load to be \$743 for an in-district student, \$1095 for an out of district resident, and \$1620 for a non-resident.<sup>49</sup> Similarly, the THECB found community college tuition in Texas to be, on average, roughly \$1000 less than the national average.<sup>50</sup>

Local tax revenue has increased steadily since 2000. The valuation of property in community college taxing districts has increased 117% since 2000, from \$520 billion to \$1.15 trillion. Likewise, the local property tax levy has increased 172%, from \$509.6 million in 2000 to the present level of \$1.39 billion. The average Maintenance and Operation (M&O) tax rate has fluctuated over the past 9 years but has decreased 5% since 2005 from \$.147 to \$.139.<sup>51</sup>

State appropriations to community colleges through formula funding has increased each biennium since 2000, except the 2004-05 biennium when the state faced a \$10 billion shortfall. The formula appropriation has increased from \$1.45 billion in 2000-01 to \$1.84 billion in 2010-11; an increase of 27%. However, the increases in formula funding has not kept pace with the significant increase in enrollment since 2000.<sup>52</sup>

## **Findings & Recommendations**

While community colleges have seen positive improvements in both participation and success over the past decade, many challenges still exist. In his testimony before the House Higher Education Committee on April 20, 2010, Higher Education Commissioner Raymond Paredes identified key initiatives for improvements related to community colleges designed to increase student success rates. These initiatives include improving and facilitating transfers, aligning state funding with community college mission, strengthening dual credit, reforming developmental education, and identifying institutional efficiencies.

### ***Transfer Pathways***

*Invest in creating a seamless transfer pathway that improves time-to-degree.*

Each year, more students begin their post-secondary education at a community college with the goal of completing a 4-year program at a university. According to Commissioner Paredes, for Texas to meet its current and future educational and workforce needs, the infrastructure of higher education must maximize access and opportunity for those who enter the community college system with the intent to continue their education. Currently, community colleges enter into articulation agreements with 4-year universities to provide for a smooth transition; however, these agreements are generally on an institution by institution basis resulting in hundreds of separate agreements. While there is no comprehensive, statewide articulation agreement between the 2-year and 4-year institutions, Texas law provides for a core curriculum of courses; this core is defined as: “... the curriculum in liberal arts, humanities, and sciences and political, social, and cultural history that all undergraduate students of an institution of higher education are required to complete before receiving an academic undergraduate degree.”<sup>53</sup> Provisions within the Education Code allow a transfer student to use the successfully completed group of lower-division core curriculum courses to substitute for the similar group of requirements at the college, university or health science center to which they transfer. These provisions are useful to students who choose to start their education at a 2-year institution before moving on to a 4-year university but some transfer difficulties remain. For example, Commissioner Paredes stated that while a university may accept a student's credits from a community college, it may not necessarily count said credits towards a student's degree program. Furthermore, students requiring developmental education or taking courses in a sequenced discipline may have more difficulty when transferring due to varying prerequisites or sequences at different institutions. Rey Garcia, President of the Texas Association of Community Colleges (TACC), testified that the difference in rigor between a community college and a 4-year university is not the root of the problem; rather, course naming is often an issue when a university declines to accept credits towards a degree.

In 2001, Texas A&M University and Blinn College went beyond the standard articulation agreement and entered into a collaborative, co-enrollment partnership known as the Blinn TEAM (“Transfer Enrollment at A&M”) Program. Since its creation, this unique initiative has allowed the admission of additional hundreds of qualified students into the Texas A&M freshman class than would have otherwise been possible due to enrollment management limitations. Participating students are initially admitted to Texas A&M University on a part-time basis, and may earn full admission by several methods. Blinn TEAM students are enrolled in one academic course at Texas A&M each semester, and the remainder of their courses at the Bryan Campus of

Blinn College. Students who complete 45 Blinn credit hours and 15 A&M credit hours within a two-year period, while maintaining a 3.0 grade point ratio at each school, are automatically admitted to Texas A&M. TEAM students who wish to transition to A&M sooner may compete for transfer admission when they meet transfer eligibility. Finally, students who do not transition by the aforementioned methods may fully matriculate via the university's readmission process after their two year program has concluded. Blinn TEAM students benefit from enrollment at both institutions; students enjoy the university experience afforded by Texas A&M (such as residence hall life, sports events, and a huge range of student activities), while enjoying the smaller classroom environments and costs of Blinn College.<sup>54</sup>

Modifications made during the 81st Session to the Top Ten Percent rule in public university admissions removed barriers to entry for those students who chose to begin their post-secondary education at a community or junior college. Senate Bill 175 (81R) provided that students who qualify for automatic admission under the Top Ten Percent rule may complete their core curriculum at an institution of higher learning for up to four years before transferring to a state college or university using their automatic admission status. A student who transfers under this rule is required to maintain at least a 2.5 cumulative grade point average in order to transfer to a state college or university of their choice using their automatic admission status.

Other projects to improve transfer pathways between community colleges and 4-year institutions are currently underway. The Lumina Foundation, an Indianapolis-based, private, independent foundation, that works to expand access to and success in education beyond high school, has provided grant support to the THECB in order to improve transfer pathways. With the assistance of this funding, the THECB has developed the Voluntary Mechanical Engineering Transfer Compact, a voluntary agreement among institutions of higher education within the State of Texas designed to foster enhanced transfer processes for students pursuing a bachelor's degree in mechanical engineering, and to increase the number and preparedness of students matriculating from a two-year mechanical engineering pre-engineering program (PMENG) at community colleges into a baccalaureate mechanical engineering program (BSMENG) at four-year universities. Rather than proscribing courses or content, the voluntary agreement provides guidance to students with respect to what courses offer the best mechanism for obtaining a BSMENG degree.<sup>55</sup> Ideally, the program will create a seamless transition from community college to a 4-year university for mechanical engineering students, thus driving down costs to the student and the state by reducing time to completion. Currently, 23 community colleges and 13 universities have adopted the voluntary agreement. The Coordinating Board will roll out similar voluntary agreements for other high demand fields, including those in the science, technology, engineering and math (STEM) fields.

Another program developed to ease transfer from community college to 4-year institutions is the *Transfer101 From Community College to University* web portal. This site, *Transfer101.org*, was developed based on insights from a working group comprised of representatives from the University of Texas System, the Texas A&M University System, and the Texas Association of Community Colleges. Launched in September of 2009, *Transfer101.org* serves as an online resource for those students seeking information about the process of transferring between a community college and a 4-year institution. The site provides direct links to specific departments within universities such as advising, financial aid, and the university's transfer page. As of April 1, 2010, the University of North Texas, Texas Tech University, Lamar University,

Texas State University San Marcos, Sam Houston State University and Midwestern State University have joined the web portal.<sup>56</sup> More universities and community college districts are in the process of adding a *Transfer101.org* link to their own websites.

### ***Dual Credit***

*Strengthen the dual credit system to maximize access and increase rigor.*

Dual credit, the process by which a high school junior or senior enrolls in a college course and receives simultaneous academic credit for the course from both the college and the high school, often serves as a stepping stone from high school to college and is a rapidly growing component of higher education. The number of students participating in fall 2009 was 91,303, a 765% increase since fall 1999.<sup>57</sup> Many positive outcomes of dual credit exist; including lower cost of tuition and fees for students due to an accelerated time to degree. Moreover, studies suggest that dual credit increased the likelihood that a student will complete high school as well as enroll in and persist in college.

Despite successes, challenges to dual credit providers remain. College-readiness legislation passed in 2006 included provisions that all school districts implement a program by the fall 2008 under which students may earn the equivalent of 12 hours of college credit while in high school through the use of dual credit, advanced technical courses, Advance Placement courses, and/or International Baccalaureate courses.<sup>58</sup> Decisions about who pays tuition, fees and other costs associated with dual credit, however, are made at the local level and vary between districts. In addition, the college-readiness legislation did not include a mandate to require school districts or colleges to pay for dual credit textbooks. Consequently, competition between providers has emerged often creating friction between 4-year universities and community college who each may offer dual credit in a given school district.

Another challenge to further dual credit expansion involves a school district's willingness to adopt a dual credit program. Austin Community College President Steve Kinslow, Ph.D. testified that many students and/or school districts prefer Advanced Placement courses over dual credit.<sup>59</sup> A school may offer an Advance Placement over a dual credit course since dual credit courses are required to be taught by a teacher who holds a Master's degree. Moreover, Advanced Placement courses often add more to a student's grade point average. Dr. Kinslow explained that over half of Advanced Placement students do not receive college credit and the fastest growing student population, ethnic minorities and the economically disadvantaged, are the least likely to afford the fee for an Advanced Placement exam (a requirement to receive college credit).

In order to expand access to dual credit, some institutions offer dual credit online. One such institution is the University of Texas at Arlington. In his testimony before the committee, Michael K. Moore, Ph.D., Senior Vice Provost and Dean of Undergraduate Studies at the University of Texas at Arlington, stated that UT-Arlington enrolled 678 students in online dual credit courses in Spring 2010, up from 255 enrollments in Fall 2009.<sup>60</sup> Dr. Moore lauded the value of online dual credit. Benefits include the capacity to reach remote areas, providing choice in learning modes, and the ability to accommodate work, family, and school obligations. Dr. Moore also concluded that the market for dual credit is massive and will require a multi-pronged solution.

## ***Community College Funding***

*THECB Recommendation: Fund Community Colleges based on measurements of student progression towards success*

Better alignment between state funding and the mission of community college is under consideration as a strategy to improve efficiency and productivity. The Texas Higher Education Coordinating Board has proposed funding community colleges in part through a system of momentum points, or measurements of student success towards a set of goals. Under the proposal, 10% of a community college's funding allocation would be contingent upon students' successful progression on goals such as completion of developmental education, completion of the first year of college level math, completion of 15 or 30 contact hours, earning a degree or certificate, and/or transfer to a 4-year university.<sup>61</sup>

## ***Developmental Education***

*Reforming developmental education is a critical component to improving success outcomes at community colleges.*

Since fall 2003, students attending Texas community colleges, as well as universities, have been required to be in compliance with the Texas Success Initiative (TSI). The law requires all entering college students to be assessed for college readiness in reading, mathematics and writing unless the student qualifies for an exemption. Those students who fail to meet the minimum standards are placed in a developmental education program designed to help the students achieve college readiness. Over the past five years, students enrolling in community colleges direct from high school have met TSI standards at higher rates; however, THECB data shows that in FY 2009 48.6% of entering freshmen were not considered college ready in at least one area. For students not enrolling directly from high school, such as working-age adults returning to school, the percentage of entering students not considered ready in at least one area rises to 55.6%. Furthermore, students who require developmental education graduate at less than half the rate as other students.<sup>62</sup>

In testimony, Commissioner Paredes described the developmental education system as failing students nationwide and in need of fundamental reform. The Commissioner identified several challenges to reform. First, there is a lack of a single assessment for measuring student readiness. As a result, some students may be well below levels appropriate for college-level learning. Similarly, developmental education eligible students are defined as those students that are reasonably within 2 years of successfully completing college-level academic work; however, many students falling into developmental education are far below that definition and are more appropriately defined as Adult Basic Education students. According to Commissioner Paredes, it is unrealistic to believe that even the best equipped developmental education program can adequately address needs of students that are far below college-ready levels.

Further hindering effective developmental education are inadequate academic support systems and inadequate professional development for developmental education faculty. Developmental education students require more and better advising, counseling, tutoring, mentoring, and

social/study skills to be successful; and yet, Commissioner Paredes cited a survey of community colleges that found 20% did not require academic advising of developmental education students and 70% only required advising once per semester. Additionally, an unfortunate reality is that many developmental education courses are taught by the least experienced faculty.

*THECB Recommendations on Developmental Education*

Ultimately, developmental education initiatives and potential reforms must be based on solid cognitive research. Reform initiatives advocated by the THECB include:

- developing a single, comprehensive assessment tool;
- distinguishing and remediating adult basic education students separately from developmental education;
- strengthening faculty professional development;
- exploring comprehensive course re-design with an emphasis on blended and computer-based learning; and
- combining developmental reading and developmental writing into a single course, thus reducing developmental education by a third.<sup>63</sup>



**CHARGE 5**

**Study and recommend strategies for reducing the costs of instructional materials in higher education institutions, including electronic textbooks, open source materials, and other web based resources.**

## **Background**

The cost of higher education for students, families, and the state has risen steadily over the years due in part to costs associated with instructional materials and delivery methods. The cost of textbooks and supplies as a percentage of tuition and fees for first-time, full-time, degree-seeking students is 26% at 4-year public institutions and can be as high as 72% at 2-year public institutions.<sup>64</sup> The growing financial burden related to instructional materials has potentially devastating implications for higher education - as students feel financial pressure, many are forced to take out more loans, work longer hours, extend their time to completion, or drop out entirely. The use of electronic textbooks, open source materials, and online resources has been proposed as a way to cut costs for students as well as taxpayers. These new methods of delivering course content must be thoroughly vetted by the state and institutions of higher education.

The most traditional and commonplace instructional material, the textbook, has come under scrutiny in recent years due to significant increases in price. Textbook prices have tripled since 1986; increasing in cost at an average of 6% per year - twice the rate of inflation.<sup>65</sup> Several factors contribute to the dramatic rise in price for textbooks. Some critics contend that the fundamental cause for high prices is a market failure that obstructs the economic checks and balances that would normally regulate costs.<sup>66</sup> Rather than the consumer - in this case the students - exercising choice in which products to buy, professors choose which textbooks students must buy, severely limiting price competition among publishers. Furthermore, costs to students may not be the primary factor considered when publishers are developing textbooks that students are ultimately required to buy, as a result, the rate of textbook price increases is not likely to slow.<sup>67</sup>

Another factor contributing to the rise in textbook prices is the common practice of releasing new editions of textbooks regardless of changes in the subject. Textbook revision cycles can vary based on several factors, such as the level of the course and the discipline. A survey of publishers conducted by the Government Accountability Office (GAO) found that textbooks are generally revised every 3 to 4 years, compared with cycles of 4 to 5 years that were standard 10 to 20 years ago. Publishers maintain that demand for new editions is driven by instructors who want the most current material and may seek products from competitors if they are unable to meet the demand.<sup>68</sup> Critics charge that shortages in the availability of used textbooks are created as a result of the frequency with which publishers release new textbook editions. Once a new edition of a textbook becomes available, the resale options for the older editions are limited. Furthermore, new editions cost up to 45% more than the used copy of the previous edition.<sup>69</sup> As a result, students may be forced to spend more on new textbooks while earning less money in return for their older editions.

Possibly the most considerable factor contributing to rising prices are costs associated with developing products designed to accompany textbooks, such as CD-ROMs, access codes to online material, and other instructional supplements. These supplements, publishers contend, have been developed in response to demand from instructors. Historically, supplements have been sold in "bundles" with the textbook, a practice that can dramatically increase the price of a new book purchase and potentially hinder the resale value. In 2005, the GAO concluded if publishers continue to increase their investment in supplemental materials, the cost to produce a

textbook is likely to continue to increase in the future. In response to growing criticism of the practice of bundling, new federal legislation in effect as of July 1, 2010 requires publishers to offer all components of a textbook bundle to be sold separately.

### ***Significant Federal and State Action***

State and federal legislation intended to control textbook affordability has been enacted in the past year. During the 81st Texas Legislative Session, action was taken to curb textbook prices and to expand textbook purchasing options:

- H.B. 4149 requires the Texas Higher Education Coordinating Board (THECB) to conduct a study and make recommendations regarding the use and availability of electronic textbooks.<sup>70</sup>
- HB 1096 requires institutions to provide students with notice that reads "A student of this institution is not under any obligation to purchase a textbook from a university-affiliated bookstore. The same textbook may also be available from an independent retailer, including an online retailer."<sup>71</sup>
- Executive Order RP73 directs the THECB, in cooperation with Texas public institutions of higher education, to undertake a broad and comprehensive review of system-wide opportunities for achieving cost efficiencies, including the cost of instructional materials.<sup>72</sup>

At the federal level, The Higher Education Opportunity Act (HEOA), enacted on August 14, 2008, reauthorizes the Higher Education Act (HEA) of 1965, as amended. The act, which went into effect July 1st, 2010, will affect textbook affordability across the United States. Textbook provisions of the act include requirements for textbook publishers and institutions of higher education that are intended to provide greater transparency of pricing information at the time faculty members select texts for the classes they teach and when students register for classes. Under the act, publishers are required to disclose pricing, copyright dates, changes made to new editions, and whether the textbook or supplemental materials are available in other printed formats. Institutions of higher education are required to post verified textbook pricing information for both required and recommended materials for each class on the institution's online course schedule or linked to the course schedule from another site, such as a college-designated bookstore, in a manner of the institution's choosing. As previously stated, the act also requires that for any textbook bundle (i.e., one or more textbooks bundled with supplementary materials, such as workbooks, CDs, or DVDs) made available by the publisher, the publisher must make each part of the bundle available separately (with separate pricing).<sup>73</sup>

## **Findings & Recommendations**

### ***Textbooks***

*Expanded purchasing options help curtail cost.*

Historically, students' choices were limited to used or new textbooks, most of which were available only at a institution's campus bookstore. Today, students have more choices; most required textbooks are available through online retailers, more campus bookstores are offering textbook rental programs, and many publishers have widened their electronic textbook

selections.

Follett Higher Education Group, a national bookstore provider, has developed a textbook rental program known as Rent-A-Text. The program was first launched as a pilot program at seven schools across the United States, including the University of Texas at Arlington and the University of North Texas. The Rent-A-Text Program seeks to offer up-front savings to students, in some cases as much as 50% versus the cost of purchasing a new book. Students who rent textbooks:

- must be at least 18 years old
- have an electronic message address (e-mail or cell phone) in order to receive reminders regarding the return of the book
- must provide collateral regardless of how they pay the rental fee,
- must have a valid driver's license or other state issued ID.

Non-return of a book results in the customer being charged the standard retail amount (75% of new price) plus a penalty (7.5% of new text price). These penalty fees are used by the campus bookstore to defray the costs of replacing non-returned books.<sup>74</sup>

Survey data from the Student Public Interest Research Groups (Student PIRGs) suggests that renting is highly popular among students; however, the full purchase option remains important. Over 90% of students said they would rent at least some of their textbooks and two-thirds would rent "most" or "all." However, only a third said they would rent all of their books.<sup>75</sup>

In the fall of 2010, the University of Texas at San Antonio implemented the Follett Rent-A-Text program. In her testimony before the House Committee on Higher Education, Pamela Bacon, Associate Vice President for Administration at UTSA, stated that 34% of titles adopted by the university are available for rent and 10% of all textbooks sold or rented have been rented. Savings to students as of August 23, 2010 exceeded \$138,000.<sup>76</sup>

Expanded offerings in electronic textbooks may also lead to significant savings for students. On average, the cost of an electronic textbook is 48% of the price of a new print textbook.<sup>77</sup> Despite the discounted price, survey results show that 75% of students prefer print textbooks to digital; although, 47% of students said they are "comfortable" or "very comfortable" with at least one digital textbook format. Readability was largely cited as the reason students preferred standard texts; convenience, on the other hand, was the top reason students gave for preferring electronic textbooks, followed closely by cost.<sup>78</sup>

Currently, electronic textbook sales only represent approximately 0.5% of the overall textbook market. However, digital offerings continue to show strong growth. For example, CourseSmart, a joint venture of five large college textbook publishers, reported a 400% increase in sales in 2009 from the previous year. Also, the bookstore operator MBS Textbook Exchange, Inc., which represents 900 client institutions and 34 academic publishers, showed increases in electronic textbooks sales of more than 100% in 2009.<sup>79</sup> Continued growth in the electronic textbook market will be fueled by greater availability in digital content, increased use of online learning, as well as advances in technology related to electronic textbooks. Market research suggests that electronic textbook sales in the United States could surpass 18% of combined new textbook sales within the next five years.<sup>80</sup>

## ***Open Educational Resources (OER)***

*OER materials may hold the greatest potential for cost savings in instructional materials.*

Open Educational Resources (OER) are educational materials offered freely for anyone to use and under some licenses to alter and redistribute. Some educational materials have been freely available since the emergence of the web in the mid-1990s, but the most significant advance in open source materials came in 2000 when the Massachusetts Institute of Technology launched the OpenCourseWare (OCW) initiative to make the core content from all its courses available online. To date, the OCW Consortium has more than 200 member institutions, each of which has agreed to make at least 10 courses available in open form. Another important development in the OER movement came with the creation of the Creative Commons, an organization that developed a set of easy to use licenses whereby authors or universities could maintain ownership of their creative products while giving others selected rights ranging from the use of work in its original form for noncommercial purposes to the right to repurpose, alter, and redistribute for any purpose.<sup>81</sup>

The use of open source textbooks has more than doubled over the past year.<sup>82</sup> With open source texts, students can choose to access digital copies online, typically for free, or the students can choose different print options, including self-printed portions of the text or a hardcover full text printed on demand. As a result, open textbooks can dramatically lower costs, as much as 80%, as well as accommodate the varying format and purchasing preferences of most students.<sup>83</sup> Publishers must develop a favorable business model in order to produce and maintain high quality texts. Given that a majority of students still prefer physical texts, print on demand services, even with free digital options available, could provide the needed author income to sustain open source textbooks.

## ***Off-Campus Instruction***

*THECB Recommendation: Encourage off-campus instruction and expanded online learning*

In response to Governor Rick Perry's Executive Order RP73, which directed the THECB to "undertake a broad and comprehensive review of system-wide opportunities for cost efficiencies,"<sup>84</sup> the THECB named an Advisory Committee on Higher Education Cost Efficiencies. Among the recommendations included in the committee's draft report were two proposals to expand the use of web based learning:

- Require at least 10% of each student's degree or certificate program be completed in ways not requiring on-campus instruction - including online learning.
- Allow the THECB to exercise its authority to ensure the development of a statewide online delivery system for developmental education and associate degree programs that draw on the best online courses already available, organized under the degree granting authority of a single public or private entity.<sup>85</sup>

The Coordinating Board estimates that a 10% off campus instruction requirement could result in a savings of \$79 million to the state. These savings are a result of a 10% reduction in the projected space needs of institutions, which equates to 2.3 million square feet statewide at four-year institutions. The savings are calculated by multiplying the estimated reduction in required

space by the quotient of total operating and maintenance cost over current square footage.<sup>86</sup>

Both students and the state could see significant savings if the THECB were to develop a statewide online delivery system for developmental education and associate degree programs. When comparing the relative per student expenditures of an online institution to a traditional institution, cost advantages come primarily from Instructional and Operations and Maintenance expenditures. If the cost of instruction at an online two-year institution are assumed to be equal to that of a traditional institution, an online institution could expect a 6.7% cost advantage. Total estimated savings for a THECB proposed online two-year institution vary from approximately \$10.5 million for 10,000 students enrolled to \$94.5 million for 90,000 students.<sup>87</sup>

Several online learning programs are in use across Texas. The University of Texas at Arlington has delivered courses online for 13 years. Michael K. Moore, Ph.D., Senior Vice Provost and Dean of Undergraduate Studies at UT-Arlington testified before the House Committee on Higher Education on the use of online courses at his institution. During the spring 2010 semester, UT-Arlington saw 12,598 enrollments in fully online courses and 6,379 students enrolled with fully online schedules. Dr. Moore explained that online courses at UT-Arlington are the same as those available on campus and are taught by the same faculty. Benefits include the ability to reach students in remote areas as well as the ability to accommodate a student's work, family and school obligations. Student performance and satisfaction is considered by some to be on par with students taking courses face-to-face.<sup>88</sup>

The success in student performance cited by Dr. Moore is not unique to UT-Arlington. The U.S. Department of Education performed a systematic search of the research literature from 1996 through 2008; the search identified more than a thousand empirical studies of online learning. A meta-analysis of this research found that, on average, students in online learning conditions perform equal to, or modestly better than those receiving face-to-face instruction.<sup>89</sup>

Although studies have demonstrated the educational benefits of online learning; the cost benefits are less clear. While cost savings from reduced space and auxiliary service needs may be easily observable, these savings could be offset by investments in technology and support services necessary to provide distance learning. Central Texas College (CTC), for example, has seen many success with its virtual courses; the institution is the largest provider of distance learning programs for the U.S. Department of Defense and is consistently ranked in the top 10 of U.S. News and World Report's list of top online degree-granting community colleges and universities.<sup>90</sup> In his testimony before the House Committee on Higher Education, however, William Alexander, Deputy Chancellor of Educational Program and Support Services at CTC, stated that it has been more expensive to provide distance learning as a result of the constant process of upgrading technology.<sup>91</sup> Some remain optimistic that savings can be achieved through online learning. In an interview with *Houston Chronicle*, David Gardner, Deputy Commissioner for Academic Planning and Policy at the THECB, said, "You can't automatically assume online [education] is less expensive, but I think we've moved to an era where, for the most part, it will be."<sup>92</sup>

Ultimately, advances in technology will continue to change the delivery of course content across all sectors of education. The State of Texas must actively monitor the development of new techniques in learning and continually re-align state statutes to reflect the modern era as well as comply with ever-changing federal law.

CHARGE 6

**Examine the state's higher education funding mechanisms, including approaches to funding capital improvement projects at public institutions of higher education. Evaluate modifications that would improve the institutions' national peer rankings and help the state to achieve its Closing the Gaps objectives, including improved community college transfer pathways and the impact of shifting the basis of the formula funding methodologies from attempted to completed hours. *Joint Interim Charge with House Committee on Appropriations***

## **Background**

### ***Funding Mechanisms in Higher Education***

Appropriations to support higher education total \$22.8 billion in All Funds for the 2010–11 biennium. This amount includes \$13.7 billion in General Revenue Funds, \$2.4 billion in General Revenue–Dedicated Funds, and \$6.7 billion in Federal Funds and Other Funds. Education funding will support more than 4.6 million students in public schools and more than 1.2 million students in public institutions of higher education during the 2010–11 biennium.<sup>93</sup> Funds flow to the public institutions and agencies of higher education in a number of ways:

- direct appropriations through funding formulas and other direct appropriations based on identified needs;
- indirect appropriations—those not made directly to an institution in its portion of the appropriations bill, but used to cover costs related to the institution’s staff for health insurance, retirement benefits, and social security; and
- other indirect appropriations, which are subsequently allocated to an institution, such as the Available University Fund.

State appropriations that benefit private institutions flow through the Coordinating Board and include financial assistance programs (e.g., Tuition Equalizations Grants, B–On-Time and related programs) for Texas residents attending approved private institutions; per student funding at the Baylor College of Medicine; and grant funds from the Advanced Research Program, a competitive grant program.

### ***General Academic Institutions***

General academic institutions receive direct appropriations via funding formulas and non-formula appropriations. Direct appropriations are identified in the informational strategies of each institution’s bill pattern in the General Appropriations Act (GAA). Appropriations are made to institutions as a lump sum; the informational strategies reflect how state funds are “allocated,” not how they must be spent. Consequently, higher education entities, unlike other state agencies, are not required to spend appropriations within a specified funding strategy.<sup>94</sup>

In addition, general academic institutions have access to funds not reflected in the state appropriations process. Examples of this include indirect cost recovery; certain tuition and fees, such as “designated tuition” and “incidental fees;” auxiliary operations (i.e., revenue from athletics, student services fees, bookstore, and parking); and grants and gifts.

Approximately 68% of all state appropriations for general academic institutions are allocated via the following 2 formulas and 2 supplements: Instruction and Operations Formula; Infrastructure Formula; Teaching Experience Supplement; and Small Institution Supplement. The inclusion of certain tuition and fee revenue in the formula funding calculation is referred to as an “All Funds methodology” to formula funding. The formulas and supplements are direct appropriations and are primarily based on enrollment. The formula appropriations consist of General Revenue Funds and some Other Educational and General Income (Other E&G). Other E&G includes specific tuition and fee revenue.



The Instruction and Operations Formula, constituting 80.7% of all formula funding, is calculated based on the number of semester credit hours (SCH) multiplied by the program/level weight multiplied by the rate. SCHs are a measurement of how many classes (and the number of students enrolled in those classes) an institution delivers. The base period used is the previous three semesters (for 2010-11 it would be the combination of the summer 2008, fall 2008, and spring 2009). SCH is weighted by both discipline (i.e. nursing, engineering) and level (upper or lower division). The Higher Education Coordinating Board recommends a rate based on its recommended weights and program enhancements and the Legislature sets the weights and the rate. The Teaching Experience supplement, 2.5% of formula funding, provides additional funding for undergraduate semester-credit hours taught by tenured and tenure-track faculty.

The Infrastructure Formula, 16.7% of formula funding, uses a statewide infrastructure rate which is set in the GAA. The Legislature sets the rate based on available funding, including consideration of changes in institutional space and other factors. The formula is calculated by using this rate and multiplying it by the predicted square feet. The Higher Education Coordinating Board's Space Projection Model estimates the square footage for each institution. General academic institutions with enrollments of less than 5,000 receive a \$750,000 annual Small Institution Supplement. This supplement recognizes that institutions have a minimum cost of operation that may not be covered by funds generated through the formulas.

Additional special items include appropriations of \$354.5 million in General Revenue Funds, General Revenue–Dedicated Funds and Federal Funds (ARRA) for the 2010–11 biennium. These are direct appropriations to institutions for projects that are not funded by formula but are specifically identified by the Legislature for support. An institution is not required to spend the amount identified in a Special Item strategy for that particular project, but expenditure reports indicate that institutions often use an entire appropriation, along with additional funding, for the related project.

### *Health Related Institutions*

The six primary funding formulas for health-related institutions are Instruction and Operations, Infrastructure, Research, Graduate Medical Education, Cancer Center Operations, and Chest Disease Center operations. Similar to general academic institutions, certain tuition revenue is used in the calculation of the Instruction and Operations and Infrastructure formulas. Approximately \$2.1 billion, or 26.5% of All Funds for 2010-11 is included in the formula funding strategies.

The Instruction and Operations formula is allocated on a per full-time student equivalent (FTSE) basis with the funding weight determined by the instructional program (some programs cost more to teach, therefore higher weights are utilized). These weights and rates per student are set by the Legislature. Method of finance breakdown for the I&O formula is 90.6% GR, 6.0% GR-D (mostly tuition and fees), and 3.4% Federal ARRA.

The Infrastructure Formula is intended for utilities and physical plant support. The formula calculation is similar to that of general academic institutions. The formula is the infrastructure rate multiplied by the gross square footage. Square footage is calculated using the Higher

Education Coordinating Board's space model. Method of finance breakdown for the Infrastructure Formula is 94.5% GR, and 5.5% GR-D.

The Research Enhancement Formula is funded entirely from General Revenue and is \$71.2 million for 2010-11. This includes a base amount of \$1.4 million per institution per year, plus additional funding based on a percentage of research expenditures.

The Graduate Medical Education allotment is based on a per student rate and helps to cover the administration/faculty cost, the resident stipend is covered by the hospitals in article II. The Legislature sets the GME rate (based on total allocation of funds divided by the number of students). Approximately \$79.1 million, of which \$15.3 million goes to Baylor College of Medicine, is allocated for the 2010-11 biennium. Method of finance breakdown for GME is 79.7% GR, and 20.3% Federal ARRA funds. This funding provides for approximately \$6,653 per resident for each year of the biennium.

The Cancer Center Operations formula is the funding mechanism for UT MD Anderson Cancer Center and is based on the number of Texas Cancer Center patients served in 2006 and funding growth is capped at the average growth for the other HRIs I&O growth.

The Chest Disease Center Operations formula is the funding mechanism for UT HSC at Tyler, and is based on the number of chest disease patients served in 2006.

### *Community Colleges*

The Community Colleges have their own Instruction and Administration Formula, which is funded by General Revenue. Unlike the general academic institutions formulas, this formula does not include tuition and fee revenue as part of the method of finance. The community college formula is based on "student contact hours." A contact hour is a standard unit of measure that represents an hour of scheduled academic and technical instruction given to students during the semester. The Higher Education Coordinating Board sets the rate of funding for each contact hour based on their methodology. Community College districts also receive property tax revenue as a means of finance.

Contact hours can increase or decrease independent of the enrollment growth/decline of the community colleges. For example, if a community college has increased their enrollment, yet the students are taking fewer courses (hours) then the contact hours for the college could decrease. Similarly, a community college can have a decline in enrollment, and if the students are taking more courses (and thus more hours) the college could see an increase in contact hours. Overall, community colleges experienced a decline in contact hours for the 2008-09 base period.

### *Texas State Technical College / Lamar State Colleges*

The Texas State Technical Colleges (TSTC) and Lamar State Colleges (Lamars) are allocated a majority of their appropriation via two formulas: the Instruction and Administration Formula for two-year institutions and the Infrastructure Formula for general academic institutions. Similar to general academic institutions, the tuition revenue for these colleges is included in the appropriations bill.

Contact hours for vocational/technical courses represent approximately 51% of total contact hours at the Lamars and 68% at TSTC institutions. The remaining contact hours are generated from academic courses. Because the vocational/technical courses have higher formula rates, the Lamars and TSTC receive correspondingly higher Instruction and Administration Formula funding than community colleges, which generate 23% of the contact hours in vocational/technical courses. Facilities funding is available from the Higher Education Fund for both TSTC and the Lamars, and both have received Tuition Revenue Bond authorizations.

### ***Tuition Revenue Bonds***

Tuition Revenue Bond (TRBs) are bonds that have their debt serviced by the revenue of the project for which it was issued and pledge a revenue stream provided by income from tuition charges levied against students or institutions specified in the bond covenants. The Texas Education Code defines the responsibility of the Coordinating Board with regard to tuition revenue bonds and limits its authority to evaluation and review of the projects in comparison to the Coordinating Board standards. The bonds may be used as specified in the statute. Generally the bonds are used to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure on or for the campus.

If requested by the Legislature, the Coordinating Board evaluates the requests for authority submitted by the institutions in their Legislative Appropriations Request. The Legislature authorizes issuance of the bonds in legislation. The TRB process is as follows:

- The institutions request project and financing approval from its Board of Regents.
- The Board of Regents grants approval for the project.
- The project is submitted to the Coordinating Board for evaluation. (Because the project was already approved by the Legislature, the Coordinating Board's role is to evaluate the project to determine if it meets the Coordinating Board's standards found in Chapter 17. Resource Planning Subchapter J. Rules Applying to Tuition Revenue Bond Projects.)
- The evaluation is approved by the Coordinating Board and a copy is provided to the Governor, Lt. Governor, and the Legislative Budget Board.
- The institution (or system) completes an application for the Bond Review Board.
- The Bond Review Board verifies that the institution has approval for the issuance of the bonds, analyzes the project request to determine that the funds are available to service the debt, and that the financing system is appropriate.
- The Bond Review Board authorizes the issuance of the bonds.
- The Attorney General reviews and approves the issuance of the bonds.
- The institution (or system) sells the bonds and services the debt.
- Upon completion of the project, the institution includes the facility (if appropriate) in its facilities inventory.

## **Findings**

### ***Improving National Peer Rankings***

One of the goals of the *Closing the Gaps* initiative is to substantially increase the number of nationally recognized programs or services at colleges and universities in Texas by 2015. Unfortunately, little progress toward reaching the excellence goals tied to national rankings has been made. The U.S. News & World Report 2010 edition of “America’s Best Colleges” ranked The University of Texas at Austin in a tie for 15th place among national public universities. UT-Austin has been in a tie for number 15, plus or minus two positions, since 2000. Texas A&M University tied for 22nd place in the 2010 rankings. TAMU was ranked the same as UT-Austin in 2002 (tied for 15th), but dropped to a tie for 24th in 2003 and has been ranked no higher than 21st since then. No other public university in Texas has made the list of the top public national universities since 2000.

Despite the lack of appreciable progress towards excellence goals, discussions about the nature of excellence and how to best achieve it have refocused attention on this goal. Funding allotments in HB 51 (81R) will provide opportunities to reward universities that achieve program excellence and, as a consequence, to make progress towards the excellence goals in *Closing the Gaps*. The bill includes funding to develop and maintain specific programs of the highest national rank at non-research or emerging research universities. Incentive grants are authorized for eligible universities that are the most committed to specific program quality. The standards developed for distribution of the HB 51 excellence fund may be applied to evaluation of the excellent programs that institutions submit as part of their annual *Closing the Gaps* institutional target update process.

### ***Improving Transfer Pathways***

Each year, more students begin their post-secondary education at a community college with the goal of completing a 4-year program at a university. In order for Texas to meet its current and future educational and workforce needs, the infrastructure of higher education must maximize access and opportunity for those who enter the community college system with the intent to continue their education. Currently, community colleges enter into articulation agreements with 4-year universities to provide for a smooth transition; however, these agreements are generally on an institution by institution basis resulting in hundreds of separate agreements. Provisions within the Education Code allow a transfer student to use the successfully completed group of lower-division core curriculum courses to substitute for the similar group of requirements at the college, university or health science center to which they transfer. These provisions are useful to students who choose to start their education at a 2-year institution before moving on to a 4-year university but some transfer difficulties remain.

Projects to improve transfer pathways between community colleges and 4-year institutions are currently underway. The Lumina Foundation has provided grant support to the THECB in order to improve transfer pathways. With the assistance of this funding, the THECB has developed the Voluntary Mechanical Engineering Transfer Compact, a voluntary agreement among institutions of higher education within the State of Texas designed to foster enhanced transfer processes for students pursuing a bachelor’s degree in mechanical engineering, and to increase the number and

preparedness of students matriculating from a two-year mechanical engineering pre-engineering program (PMENG) at community colleges into a baccalaureate mechanical engineering program (BSMENG) at four-year universities. Rather than proscribing courses or content, the voluntary agreement provides guidance to students with respect to what courses offer the best mechanism for obtaining a BSMENG degree.<sup>95</sup> Ideally, the program will create a seamless transition from community college to a 4-year university for mechanical engineering students, thus driving down costs to the student and the state by reducing time to completion. Currently, 23 community colleges and 13 universities have adopted the voluntary agreement. The Coordinating Board will roll out similar voluntary agreements for other high demand fields, including those in the science, technology, engineering and math (STEM) fields.

Another program developed to ease transfer from community college to 4-year institutions is the Transfer101 From Community College to University web portal. This site, Transfer101.org, was developed based on insights from a working group comprised of representatives from the University of Texas System, the Texas A&M University System, and the Texas Association of Community Colleges. Launched in September of 2009, Transfer101.org serves as an online resource for those students seeking information about the process of transferring between a community college and a 4-year institution. The site provides direct links to specific departments within universities such as advising, financial aid, and the university's transfer page. As of April 1, 2010, the University of North Texas, Texas Tech University, Lamar University, Texas State University San Marcos, Sam Houston State University and Midwestern State University have joined the web portal.<sup>96</sup> More universities and the fifty community college districts are in the process of adding a Transfer101.org link to their own websites.

### ***Outcomes-Based Funding Model***

As detailed above, universities are funded by the state solely based on enrollments on the 12th class day of the semester. Consequently, the only strategy an institution can implement to secure state funding is increasing their student enrollment – a worthy goal in itself. To truly realize the promise of higher education, however, students must have both access and success in achieving their academic and career readiness goals. To address these goals, the Coordinating Board has proposed a funding methodology which gives universities the incentive and the ability to positively impact their funding through strong emphasis on degree completion initiatives, as well as enrollments:

- The outcomes-based model allocates 10% of institutions' funding for undergraduates relative to four categories of bachelor's degrees awarded; 90% will continue to reflect enrollment. The four categories are as follows:
  - Total degrees (weighted x1)
  - Total degrees for federally defined at-risk students (weighted x1)
  - Total degrees in critical fields (weighted x2)
  - Predicted graduation rate (weighted x1)
- Universities will attain a greater share of funding by increasing total degrees, and gain specific credit for degrees awarded to students who are particularly at-risk of failing to complete a degree.
- Universities will be strongly incented to align degree outputs with state economic development and workforce needs, receiving additional weight for degrees in critical

fields such as nursing, engineering, and secondary school teachers certified in math and science.

- The Predicted Graduation Rate will evaluate each university's degree production in light of their incoming student's financial need and academic preparation

Supporters of the outcomes-based funding model assert it will result in a better and more productive balance between student access and success. The model is intended to provide a better return on the state's investment by increasing degree production at Texas' universities – particularly in fields important to current and future job growth. Ideally, the model will incent Texas universities to focus more intently on the success of at-risk students, a critical goal for *Closing the Gaps*.<sup>97</sup>

The Coordinating Board has proposed a similar outcomes-based model for community colleges. The proposed model allocates 10% of base funding relative to educational milestones (or Momentum Points) met by students; 90% would continue to reflect enrollment trends. Supporters believe the recommendation gives community colleges the incentive and the ability to positively impact their funding through strong emphasis on retention and degree completion initiatives, as well as enrollments. Community colleges will attain a greater share of formula funding by increasing the number of students that achieve college and career readiness via developmental education, complete meaningful levels of coursework, earn a degree or certificate, or transfer to a university. As a result, community colleges will be particularly incented to help at-risk students progress through the education pipeline.<sup>98</sup>

**CHARGE 7**

**Monitor the progress of the capital improvement plan and use of state funds at The University of Texas Medical Branch at Galveston involving the renovation and upgrade of existing facilities and the construction of new facilities. *Joint Interim Charge with House Committee on Appropriations***

## **Background**

In the early morning hours of September 13, 2008, Hurricane Ike made landfall on the coast of Galveston Island, bringing with it 110 mph winds and a 22 ft. storm surge. The resulting damage crippled the infrastructure of Galveston Island, caused widespread electrical outages, and flooded over 1 million square feet of first-floor space on the University of Texas Medical Branch (UTMB) campus. Fortunately, all patients, students, and non-essential staff evacuated days before landfall.

Preliminary damage estimates provided by UTMB and James Lee Witt Associates ranged between \$667 million and \$1 billion. Hurricane related losses led to the temporary closure of area hospitals and clinics including McAllen Maternal and Child Health Clinic, Shriners Burns Hospital for Children, and John Sealy Hospital. During the closure of John Sealy Hospital, UTMB patients were served in relocation hospitals, primarily Austin's Seton Hospital during the evacuation; then HCA Mainland Hospital, HCA Clear Lake Regional Hospital, St. Johns Hospital and other Houston area hospitals after the storm. Most UTMB mainland clinics in the Gulf Coast area continued operating without interruption and provided space for island-based UTMB clinic physicians to continue outpatient services uninterrupted. UTMB Maternal and Child Health clinics located throughout East Texas and the Gulf Coast continued serving patients without interruption as well.

John Sealy Hospital reopened 140 beds for mothers and newborns on October 13, 2008 - one month after the storm. By January 2009, John Sealy Hospital operated 200 full-service beds with services for women, infants, children, surgical and critical care, and acute care for the elderly. The McAllen clinic was able to reopen in October 2009. The Shriners Burns Hospital reopened in November 2009, despite being considered by the Shriners of North America for permanent closure due to financial challenges.

Despite major damage from Hurricane Ike, UTMB continued its educational mission. Clinical rotations for residents and third and fourth year medical students continued through collaborative agreements with other Texas universities and hospitals; first and second year students resumed on-campus classes on October 20, 2008.

## **Findings**

In response to the devastation to UTMB, the Texas Legislature approved a \$150 million Tuition Revenue Bond (TRB) authorization for construction of proposed new surgical tower to make return to pre-Ike bed capacity possible. Additionally, the Legislature approved \$150 million in General Revenue for UTMB Ike recovery in HB 4586 (81R), the Supplemental Appropriations Bill:

*SECTION 55. APPROPRIATIONS FOR GENERAL COSTS CAUSED BY NATURAL DISASTERS. (a) The following amounts are appropriated out of the general revenue fund to the following agencies and institutions of higher education for the two-year period beginning on the effective date of this Act for the purpose of paying for, or reimbursing payments made for, costs incurred by the agencies or institutions associated with damages or disruptions caused by natural disasters that occurred before the*



effective date of this Act during the state fiscal biennium that began September 1, 2007:

(1) *UT Medical Branch at Galveston: \$150,000,000*

(c) *The amount appropriated by this section to UT Medical Branch at Galveston may be spent only to provide matching funds for FEMA qualifying projects, except that if that amount cannot be prudently and effectively spent in that manner, the remainder of the \$150,000,000 appropriation may be spent only with the prior written approval of the Legislative Budget Board.*

Repair and mitigation cost estimates related to HB 4586 are detailed in the table below.

Repair and Mitigation Cost Estimates as of August, 2010

	FEMA Emergency Work	<u>FEMA</u> <u>Permanent</u> <u>Work "Public</u> <u>Assistance"</u> Repairs and Sec 406 Mitigation	FEMA Sec 404 Mitigation	Replacement costs beyond FEMA reimbursement
Fed/State Match	100/0	90/10	75/25	0/100
FEMA Match Estimate	\$115M	\$738M	\$70M	\$0
State Match Estimate	\$0	\$82M	\$23M	\$84M
Cost Estimate as of 8/17/10*	<b>\$115M</b>	<b>\$820M</b>	<b>\$93M</b>	<b>\$84M</b>

*\*Estimates after application of \$60M insurance only; Estimates will increase; not final as of 8/17/10*

UTMB has divided repair and mitigation work into four major groupings and selected a design/engineering firm and a construction management firm for each:

- Health Care – HDR Architecture, JT Vaughn Construction Company
- Research – Page Southerland Page, JT Vaughn Construction Company
- Academic & Business – SHW Group, Linbeck Group
- Infrastructure – Affiliated Engineers, Tellepsen Builders

Once all construction is complete, UTMB estimates it would suffer \$25M-\$50M in damages in the event of another storm akin to Hurricane Ike — an insurable loss.

The Legislature also provided a \$50 million one-time disaster Social Services Block Grant (SSBG) for eligible projects and services that support UTMB’s Hurricane Ike recovery efforts related to enhancing patient care and/or providing community benefit. These funds could not be used for FEMA match. UTMB is working closely with Health and Human Services Commission (HHSC) on eligible projects; all funds were to be spent by September 30, 2010. The \$50 million SSBG was divided as follows:

- \$34.2M for capital expenses, including:
  - Victory Lakes Specialty Care Center equipment

- Gulf coast mainland clinics equipment and capital start-up
- East and Southeast Texas Regional Maternal and Child Health clinics fetal monitoring equipment and ultrasounds
- \$15.8M for operating expenses, including:
  - H1N1 and seasonal flu preparation
  - Health care provider recruitment and training
  - Health care coordination for rural areas through East Texas AHEC
  - Nursing case managers to serve Ike victims in Galveston charity clinics

With the assistance of state and federal funds, much progress has been made since the last legislative session:

- Hospital up to 400 beds, as of Aug. 31, 2010 (reopened post-Ike Jan. 5, 2009, with 370 beds)
- Emergency Room reopened August 2009; functioning at Level I status; working to regain official Level I designation by Spring 2011
- McAllen Regional Maternal and Child Health Clinic reopened October 2009 (previously closed due to Ike-related financial losses)
- Shriners Burns Hospital for Children reopened November 4, 2009, per decision by Shriners of North America; UTMB faculty continue to staff facility and conduct their research, as before the storm
- Specialty Care Center at Victory Lakes opened in May 2010
- Enrollment has held steady or increased across all four schools; acceptances in School of Medicine have significantly increased
- More than 175 new faculty and university leaders recruited since Hurricane Ike
- Galveston National Lab approved by Center for Disease Control for full operation (began Biosafety level 4 operations Sept. 23, 2010)

While much progress has been made, challenges remain. Hurricane Ike damages have been more extensive than originally estimated during the 81st Legislative Session. Also, UTMB must work through a highly complex FEMA reimbursement model. In order to maintain momentum, access to recovery funding will continue to be needed.

### Sources

1. Public Hearing of the Senate Finance Committee, 81st Interim (June 9, 2010) Testimony of David L. Callender, MD, MBA, FACS, President, The University of Texas Medical Branch
2. *Mapping our Road Ahead*, Presented to the Legislative Budget Board, (September 28, 2010), David L. Callender, MD, MBA, FACS, President, The University of Texas Medical Branch. Accessed at [http://www.utsystem.edu/cont/reports\\_publications/LARs/GMBLAR1213%20Hearing.pdf](http://www.utsystem.edu/cont/reports_publications/LARs/GMBLAR1213%20Hearing.pdf)

**CHARGE 8**

**Study the feasibility of offering an optional curriculum that emphasizes ethics, Western civilization, and American traditions to satisfy portions of the Texas Core Curriculum.**

## **Background**

### *Core Curriculum*

Currently, Texas law defines the “core curriculum” as: “... the curriculum in liberal arts, humanities, and sciences and political, social, and cultural history that all undergraduate students of an institution of higher education are required to complete before receiving an academic undergraduate degree.”<sup>99</sup>

The first legislative initiative to define "core curriculum" was House Bill (HB) 2183, passed in 1987 by the 70th Texas Legislature. That bill provided for the adoption and evaluation of general education core curricula by Texas public colleges and universities. HB 2183 sought to ensure quality in undergraduate higher education.

Senate Bill (SB) 148, passed by the 75th Texas Legislature in January 1997, repealed all earlier legislation concerning either lower-division transfer or core curriculum. SB 148 sought to resolve certain concerns regarding the transfer of lower-division course credit among Texas public colleges and universities, while maintaining the core curriculum as one of the fundamental components of a high-quality undergraduate educational experience. More recent sessions of the Texas Legislature have fine-tuned the existing laws regarding core curriculum, but the essentials of SB 148 have not changed since 1997.

The current statutes (TEC §61.821-61.832) continue the state-level focus on excellence in undergraduate education while facilitating the transfer of lower-division course credit among public colleges, universities and health science centers throughout the state. Key provisions allow transfer students to use the successfully completed group of lower-division core curriculum courses to substitute for the similar group of requirements at the college, university or health science center to which they transfer.

Across the state, core curricula adopted by an institution of higher education and approved by the Texas Higher Education Coordinating Board (Board) must require courses totaling 42 semester credit hours (SCH), unless an individual institution has requested and received approval from the Board to have a core curriculum that exceeds 42 SCH (institutions may decide to request an expansion in the number of SCH they want to require for their core curriculum, up to 48 SCH). A completed core curriculum must be transcribed as such, and will transfer and substitute for the approved core curriculum at any public institution of higher education in Texas.<sup>100</sup>

Should an institution choose to modify its core curriculum by adding or deleting, changing the total number of semester credit hours in a non-required component area, or changing the total number of semester credit hours required in its core curriculum, Board rules require the institution to adhere to the following procedure:

- submit to the Board a letter documenting each change to be made, the component area(s) affected, and a rationale for the change;
- requests that involve changing the overall number of semester credit hours in the core curriculum or the number in a given component area require documentation of prior approval by the institution's governing board;

- the institution shall receive a letter from the Board staff giving notice of acceptance of the proposed changes and/or indicating any changes that do not meet Board-approved criteria.
- Upon receiving an approval letter from Board staff, the institution shall make any required changes to its core curriculum and will document those changes in institutional publications.<sup>101</sup>

Senate Bill 148 (75R) required the Board to adopt rules that include "a statement of the content, component areas, and objectives of the core curriculum" – a template or model for a consistent statewide curriculum. Details of the statewide core curriculum are included in Board Rules, Chapter 4, Subchapter B. Within the statewide model, each institution selects the specific courses it will offer to fulfill that model in a way that takes into account the individual role and mission of the college, university, or health science center. Those course selections and other aspects of core curriculum implementation must receive final approval from the Board before they can be implemented, and institutions must evaluate the effectiveness of their core curricula at regular intervals (usually once every five years) and report the results of those evaluations to the Board.

To provide additional guidance to institutions as they create and refine their core curricula to comply with Board rules, the Board adopted a document titled *Core Curriculum: Assumptions and Defining Characteristics*. The Assumptions, Defining Characteristics of Intellectual Competencies, Perspectives, and Exemplary Educational Objectives contained in the document were derived from the Report of the Advisory Committee on Core Curriculum (1997-98). That Advisory Committee based its work on the 1989 Report of the Subcommittee on Core Curriculum, which the Board received and endorsed in accordance with House Bill 2187 of the 70th Legislature. The Board recommends each institution should consider the adopted principles carefully as it proceeds with the revision of its core curriculum.<sup>102</sup>

#### *Ethics, Western Civilization, and American Traditions*

The two core components within the *Assumptions and Defining Characteristics* guidelines that are most relevant to the interim charge at hand are component four, *Humanities and Visual and Performing Arts*, and component five, *Social and Behavioral Science*.

Per the adopted guidelines, the objective of the humanities and visual and performing arts in a core curriculum is to:

*"...expand students' knowledge of the human condition and human cultures, especially in relation to behaviors, ideas, and values expressed in works of human imagination and thought. Through study in disciplines such as literature, philosophy, and the visual and performing arts, students will engage in critical analysis, form aesthetic judgments, and develop an appreciation of the arts and humanities as fundamental to the health and survival of any society. Students should have experiences in both the arts and humanities."*

As with each core component, the guidelines list *Exemplary Educational Objectives*; below are these objectives for the humanities and arts component:

1. To demonstrate awareness of the scope and variety of works in the arts and humanities.
2. To understand those works as expressions of individual and human values within a historical and social context.
3. To respond critically to works in the arts and humanities.
4. To engage in the creative process or interpretive performance and comprehend the physical and intellectual demands required of the author or visual or performing artist.
5. To articulate an informed personal reaction to works in the arts and humanities.
6. To develop an appreciation for the aesthetic principles that guide or govern the humanities and arts.
7. To demonstrate knowledge of the influence of literature, philosophy, and/or the arts on intercultural experiences.

Similarly, the guidelines provide an objective for the social and behavioral science component; which is to:

*"...increase students' knowledge of how social and behavioral scientists discover, describe, and explain the behaviors and interactions among individuals, groups, institutions, events, and ideas. Such knowledge will better equip students to understand themselves and the roles they play in addressing the issues facing humanity."*

The guidelines list the following *Exemplary Educational Objectives* for the social and behavioral science component:

1. To employ the appropriate methods, technologies, and data that social and behavioral scientists use to investigate the human condition.
2. To examine social institutions and processes across a range of historical periods, social structures, and cultures.
3. To use and critique alternative explanatory systems or theories.
4. To develop and communicate alternative explanations or solutions for contemporary social issues.
5. To analyze the effects of historical, social, political, economic, cultural, and global forces on the area under study.
6. To comprehend the origins and evolution of U.S. and Texas political systems, with a focus on the growth of political institutions, the constitutions of the U.S. and Texas, federalism, civil liberties, and civil and human rights.
7. To understand the evolution and current role of the U.S. in the world.
8. To differentiate and analyze historical evidence (documentary and statistical) and differing points of view.
9. To recognize and apply reasonable criteria for the acceptability of historical evidence and social research.
10. To analyze, critically assess, and develop creative solutions to public policy problems.
11. To recognize and assume one's responsibility as a citizen in a democratic society by learning to think for oneself, by engaging in public discourse, and by obtaining information through the news media and other appropriate information sources about politics and public policy.
12. To identify and understand differences and commonalities within diverse cultures.

### *Proposed Legislation*

During the 81st Legislative Session, House Bill 2746 sought to direct the University of Texas at Austin to form a School for Ethics, Western Civilization and American Institutions. The bill's intent was to establish a pilot project for the reintroduction of a curriculum of ethical formation at all public universities in Texas. According to the bill, the proposed curriculum would consist of seminars in the great books of philosophy, literature and religion, from the ancient Greeks, Romans and Hebrews to the classics of the American history. The House Committee on Higher Education heard HB 2746 in a public hearing held on April 8, 2009. The bill was left pending.

The Legislative Budget Board found that HB 2746, if passed, would have a negative impact of \$4,948,383 through the biennium ending August 31, 2011. This expense was broken out between construction costs and administrative costs. The University of Texas at Austin indicated that there is currently not space available on the campus to house the proposed new school. For purposes of the fiscal note, it was assumed that tuition revenue bonds would be issued to cover construction costs of adding a new floor to a previously planned construction project. Debt service of \$1,743,000 per year was estimated based on \$20,000,000 project cost at 6% for 20 years. The University of Texas at Austin also indicated existing faculty would teach the courses but that eight additional FTEs would be hired beginning in fiscal year 2010. Total salary and benefit costs associated with these new FTEs is approximately \$640,000 in fiscal year 2010, with slight increases in the subsequent years due to 3% salary increases. Other expenses, including equipment costs, were estimated to be \$80,000 per year. The institution indicated that the enrollment in the school would be from existing students and no new credit hours would be generated as students who chose to major in the program offered by the school would take the required courses in lieu of, not in addition to, courses they would have otherwise taken. Therefore estimates on formula funding and tuition revenue were not included in the fiscal note.<sup>103</sup>

### **Findings**

While current objectives within the core curriculum do ask students to "comprehend the origins and evolution of U.S. and Texas political systems" as well as "demonstrate knowledge of the influence of literature, philosophy, and/or the arts on intercultural experiences," some critics contend that institutions of higher education in Texas and across the nation do not provide enough instruction in the fields of ethics, Western civilization and American traditions.

One such group of critics is the Intercollegiate Studies Institute (ISI), a 501(c)(3) non-profit educational organization whose stated purpose is to "further in successive generations of college students a better understanding of the values and institutions that sustain a free and humane society."<sup>104</sup> In fall 2005, ISI's National Civic Literacy Board commissioned researchers at the University of Connecticut's Department of Public Policy (UConnDPP) to conduct a survey of some 14,000 freshmen and seniors at 50 colleges and universities, including three Texas institutions. Baylor University and West Texas A&M University were randomly selected while the University of Texas at Austin was selected due to its status as a flagship university. Students were asked 60 multiple-choice questions to measure their knowledge in four subject areas: America's history, government, international relations, and market economy. The results were

published by ISI in fall 2006 in a report titled *The Coming Crisis in Citizenship: Higher Education's Failure to Teach America's History and Institutions*. The report presented four key findings:

- *America's colleges and universities fail to increase knowledge about America's history and institutions*: If the survey were administered as an exam in a college course, seniors would fail with an overall average score of 53.2 percent, or F on a traditional grading scale.
- *Prestige does not pay off*: There is no relationship between the cost of attending a college and students' acquired understanding of America's history and key institutions. Students at relatively inexpensive colleges often learn more, on average, than their counterparts at expensive colleges.
- *Students don't learn what colleges don't teach*: Civic learning is significantly greater at schools that require students to take courses in American history, political science, and economics.
- *Greater civic learning goes hand-in-hand with more active citizenship*: Students who demonstrated greater learning of America's history and institutions were more engaged in citizenship activities such as voting, volunteer community service, and political campaigns.<sup>105</sup>

The ISI report presented recommendations for the improvement of undergraduate education in America's history and institutions. These recommendations include better assessment by higher education institutions of their effectiveness in teaching history and American institutions; improving the number of required courses in history, political science and economics; greater accountability by stewards of higher education, including lawmakers; and the implementation of centers of academic excellence on campuses in the fields of American history, political science, and economics.

Since 2006, ISI has conducted similar civic literacy surveys and issued reports with equally negative findings; however, the 2005 study is the most relevant to higher education curriculum and Texas institutions. Later surveys went beyond student populations and into the general public but found equally underwhelming results.

Akin to ISI, The National Association of Scholars (NAS) is a membership organization of higher education professionals that seeks to promote the traditional ideals of liberal education. NAS has a national membership of about 3000, and 47 state affiliates including one in Texas. In his testimony before the Committee<sup>106</sup>, NAS chairman Steve Balch stated his belief that it is the responsibility of our educators to provide us with an education in the nature and origins of Western civilization; however, Mr. Balch asserted that it is not a responsibility that institutions are now adequately discharging. One indicator cited by Mr. Balch is the number of American universities and colleges that offer majors entitled "Western civilization." According to Mr. Balch's testimony, *Peterson's Guide*, considered an authoritative inventory of academic programming in the United States, identifies only eight schools that do so; while eleven offer majors in Mortuary Science and twenty offer majors in Equestrian Studies.

Mr. Balch concluded by stating that he did not believe the legislature should prescribe the specific content of courses, or what interpretations should be made of subject matter. However,



Mr. Balch argued that there is a genuine public interest concern in what subjects are taught, making the legislative encouragement of Western civilization programs entirely legitimate. Mr. Balch suggested the Legislature should consider adding to the state's general education standards a Western civilization/Great Books requirement for all public university undergraduates, or, short of that, require that each institution allow faculty members to create such an option for students who wish to satisfy their humanities requirement in that way.

Academic organizations like the Intercollegiate Studies Institute and the National Association of Scholars are not alone in their critiques of the emphasis on Western civilization in higher education, some professors have voiced their concerns. University of Texas at Austin professor Robert Koons, Phd. described to the Committee the obstacle to teaching ethics and the principles of American civics as the fragmentation and over-specialization of the college curriculum. Dr. Koons suggested the current Texas Core, far from combating this fragmentation, actively encourages it by insisting on a set of discipline-defined "distribution requirements." Components of the core are given minimal definitions (e.g., "fine arts", "social sciences", "humanities", etc.) but the real definition of the core is left to each state university. Dr Koons stated that even within individual majors, the trend over the past thirty years has been to eliminate required sequences and maximize uncoordinated elective. In his judgment, the resulting free-for-all gives undergraduates only the illusion of choice; in reality, it empowers the professoriate. Ideally, Dr. Koons would prefer to see Texas colleges and universities offer a sequence of courses, grounded in the classics of the Western tradition and American history and focused on the formation of ethical and well-informed civic leaders; completion of the sequence would replace 18 to 24 hours of the mandated core.<sup>107</sup>

Another University of Texas professor, Dan Bonevac, Phd., described to the Committee institutional pressures that work against Western civilization education. Dr. Bonevac cited turf battles between professors and departments as one such pressure. Specialization within institutions, he added, encourages fragmentation of curriculum. Due to this fragmentation, students come away with knowledge on specific areas of study but not general knowledge of overarching Western cultural themes.

Texas Higher Education Coordinating Board Commissioner Raymund Paredes agreed that specialization and fragmentation in higher education has become the norm but testified that he "fundamentally rejects" the notion that Texas institutions do not offer adequate instruction in Western civilization and American traditions. The Commissioner stated that curriculum included hundreds of courses and that there exists "ample opportunities" to study ethics, Western civilization, and American traditions within the core. Commissioner Paredes testified that "developing personal values for ethical behavior" is a specific goal of the core curriculum and that "virtually every course" within the core curriculum will expose students to some elements of Western civilization. Moreover, Commissioner Paredes said it would be a mistake for the Legislature to prescribe the content of the core curriculum when much can be done within the current curriculum to provide quality instruction in ethics, Western civilization, and American traditions; provided that students receive proper advising.

### *Current Programs*

Seated within the University of Texas at Austin's College of Liberal Arts, the Jefferson Center

offers students in all colleges the Certificate in Core Texts and Ideas, which provides an integrated path through UT's core curriculum based on a study of the great books.<sup>108</sup> The director of the Jefferson Center, Lorraine Pangle, PhD., informed the Committee that the center's mission is to provide civic education that will prepare students for an education in leadership as well as an understanding of the key books and debates. The courses offered seek to integrate a high-level civic education with the most rigorous liberal education. Dr. Pangle described three main areas of knowledge emphasized by the Jefferson Center:

1. Understanding the founding of the United States and the constitutional system, including supporting arguments for each going back to the ancients.
2. Familiarization with the constitutional system's sharpest critics in order to learn from the criticisms as well as be forewarned.
3. Exposure to the alternative models and powerful rival visions of how humans ought to live.

Challenges faced by the center include a lack of funds, a lack of faculty trained broadly in the humanities and great books and willing to focus on their teaching, and the ability of the center's administrators to work within the existing structure of the core.<sup>109</sup>

Sam Houston State University (SHSU) has developed a similar program with a focus on Western civilization and the humanities. Launched in the fall of 2010, the Center for Ethics, Western Civilization and American Traditions (EWCAT) was designed to reinvigorate the core principles and values of western civilization and those underlying the development of our democracy. The center promotes pedagogy, research and scholarship, and discusses the core ethical principles promulgated in the writings of the great thinkers of western and American civilizations. The program offers the following:

1. An eighteen-hour minor consisting of courses addressing Ethics, Western Civilization, and the American Tradition.
2. Employment of Peer Led Team Learning approaches to enhance the development of personal core values and integrity, while also developing leadership among the program's students.
3. A cohort program, in which entering freshmen interested in the program can take a common set of courses focusing on EWCAT-related curriculum and using primary sources as reading materials.
4. A guest-speaker series, in which leading thinkers address EWCAT-related topics.
5. Opportunities for field experiences including internships and educational field trips, in which EWCAT topics are addressed explicitly.
6. Encouragement and support to faculty members who wish to pursue EWCAT-related research.<sup>110</sup>

John M. de Castro, PhD., Dean of the College of Humanities and Social Sciences, stated that SHSU is working to develop the support and funding necessary to expand and fully develop the program. The program administrators are confident that the future will see the EWCAT program grow into a fully funded and articulated scholarly center, that the pedagogy developed in its innovative programs will be published in pedagogical journals, and that the EWCAT program will become recognized nationally.

**CHARGE 9**

**Monitor the agencies and programs under the committee's jurisdiction**

## **Background**

Pursuant to House Rule 3, Section 15 (81st Legislature), the Committee has jurisdiction over the colleges and universities of the State of Texas as well as the following state agencies:

- Texas Engineering Experiment Station
- Texas Engineering Extension Service
- Texas Higher Education Coordinating Board
- Texas Guaranteed Student Loan Corporation (TG)
- State Medical Education Board
- Prepaid Higher Education Tuition Board
- Texas Transportation Institute

The Committee actively monitored oversight via testimony from the various state agencies and higher education institutions at all hearings. Moreover, the Committee continues to actively monitor agencies and institutions through site tours of statewide institutions and agencies. For an in-depth evaluation of the Texas Higher Education Coordinating Board (THECB), please refer to Charge 3 of this report.

## **Findings**

### *Texas Engineering Experiment Station*

The Texas Engineering Experiment Station (TEES) is the state institution of higher education focused on engineering and technology research and development. TEES was established in 1914 and incorporated within the Texas A&M University System in 1948. Under state statute (Section 88, Subchapter E, Texas Education Code), TEES develops innovations in research, education and technology and offers solutions that help improve quality of life, foster economic development and enhance education.

As a statewide research institution, TEES plays an important role in Texas' higher education system. TEES is known for its ability to form strong research and educational partnerships – with universities and community colleges across the state, with the private sector, and with K-12 school districts. The institution is also known for its entrepreneurial culture, the relevance of its research activities, and its high leverage of state dollars. TEES successfully leverages the general revenue appropriations it receives, attracting \$17 for every \$1 appropriated.

Headquartered in College Station, TEES has a close relationship with Texas A&M University as well as regional divisions at 14 other institutions of higher education in Texas and affiliations with community colleges. Through regional partnerships, TEES serves as a catalyst for collaborations that position the state to be especially competitive for federal dollars. TEES also plays a major role in strengthening research capabilities and leadership across the state. Working with the other institutions, TEES has formed a centralized structure for many fiscal, compliance and audit functions involved with federal contracts.

The Texas Engineering Experiment Station has a track record of success upon which to build. The institution has a history of “seeding” promising new research initiatives statewide,

developing the research infrastructure of the state through multi-institutional endeavors, enhancing educational opportunities for Texas citizens in math, science and engineering, and commercializing new technologies to the benefit of Texas industries and consumers.<sup>111</sup>

### *Texas Engineering Extension Service*

The Texas Engineering Extension Service (TEEX) was established as a separate state institution and a member of The Texas A&M University System in 1948 (Tex. Const. Art. 7, Sec. 18). The founding purpose of the institution was to provide vocational and technical training programs on an extension basis to the citizens of the State of Texas. This original mandate (Tex. Educ. Code, Chapter 88) could not be more evident today, as TEEX impacts every region of the state through specialized programs and services that reach employees from all levels of government, business, and industry.

On average, TEEX serves more than 210,000 individuals each year through nearly 6,000 classes, reflecting an institution-wide dedication to its mission of developing a skilled and trained workforce that enhances the public safety, security, and economic growth of the state and nation through training, technical assistance, and emergency response. The institution's major programs include fire services, homeland security, search and rescue, public safety and security, public works, economic development, and safety and health.

Headquartered in College Station, TEEX maximizes its resources through efficient and cost-effective facilities located strategically throughout the state that offer hands-on training for participants. Included in these locations are the renowned Brayton Fire Training Field, Disaster City, and Emergency Operations Training Center in College Station, the A&M System Riverside Campus in Bryan, the OSHA Southwest Education Center in Mesquite, and a multi-purpose training campus in San Antonio, the Center for Marine Training and Safety at the Texas A&M University-Galveston campus, and the Frank M. Tejeda Center in El Paso.

The institution has been able to achieve its mission for the State of Texas by successfully leveraging General Revenue funds entrusted to it by the Texas Legislature. These funds enable TEEX to deliver training programs that provide firefighting and emergency response services, law enforcement support, clean drinking water and electric power services for less populated areas of the state, safe workplaces for public and private employees, and elite search and rescue operations through Texas Task Force 1, among many others. The institution's base General Revenue funds have also allowed it to be competitive for federal funds related to training and homeland security.<sup>112</sup>

### *Texas Guaranteed Student Loan Corporation*

Created by the Texas Legislature in 1979, the Texas Guaranteed Student Loan Corporation (TG) is a public, nonprofit corporation that promotes educational access and success so that students can realize their college and career dreams. TG offers resources to help students and families plan and prepare for college, learn the basics of money management, and repay their federal student loans. In addition, TG administers Federal Family Education Loan Program (FFELP) loans made before July 1, 2010, on behalf of the U.S. Department of Education.

The Corporation is governed by an 11-member Board of Directors. The Governor of Texas appoints 10 of the members (four representatives from the education community, five from the financial community, and one student). The Texas Comptroller of Public Accounts is designated by law as the 11th member.

The Board's role is to:

1. Appoint TG's president and prescribe his or her duties,
2. Delegate powers to the president,
3. Provide long-range direction for the Corporation,
4. Set policies, and
5. Approve the budget.

TG's president and staff oversee the Corporation's daily operations.

Although created by the Texas Legislature and subject to legislative oversight, TG is not a state agency and receives no state funds. Most of TG's income is derived from fees on the student loans the Corporation has guaranteed and recovery fees on loans it collects.<sup>113</sup>

In 2010, new federal legislation replaced the FFELP with the Federal Direct Loan Program (FDLP). The role of TG under FDLP remains unclear due to the corporation's statutory role as the State's designated guarantor and administrator of the FFELP. While some details of the FDLP are still unknown, opportunities for TG to continue providing service on student loans will presumably exist. Federal student loans now come directly from the U.S. Treasury; however, the Department of Education requires institutions to provide services for the loans, including debt management, financial literacy education, default prevention and staff training. Therefore, it is advisable that the state enabling statute of TG be updated to reflect the changed federal student loan environment so that it may continue to focus on default prevention, eligibility verification, loan origination, debt management, financial aid staff training, and policy and regulatory support for individual institutions.

#### *State Medical Education Board*

The State Medical Education Board (SMEB) was a publicly funded, service obligation loan program authorized in 1973 to encourage persons receiving assistance through the program to practice medicine in rural areas in Texas. The SMEB no longer receives program funding and was transferred to the THECB in 1989 when the Sunset Commission recommended that the State Rural Medical Education Board no longer exist as a state agency. Although no new loans have been made in the SMEB program since January 1988, THECB and the Attorney General's Office continue to service outstanding loans.<sup>114</sup>

#### *Prepaid Higher Education Tuition Board*

The Texas Prepaid Higher Education Tuition Board administers the Texas Guaranteed Tuition Plan, Texas Tuition Promise Fund, Texas College Savings Plan, and LoneStar 529 Plan. The Texas Guaranteed Tuition Plan, formally known as the Texas Tomorrow Fund, allowed individuals to prepay college tuition and required fees at Texas colleges and universities but was

closed to new enrollment in 2003. The Texas Tuition Promise Fund is a prepaid tuition plan that allows individuals to lock in the cost of undergraduate resident college tuition and required fees at today's college prices. The Texas College Savings Plan and the LoneStar 529 Plan are qualified 529 college savings plans offered through the state.<sup>115</sup>

The Texas Prepaid Higher Education Tuition Board consists of seven members. The Board is chaired by the Texas Comptroller, currently Susan Combs, and includes two other members appointed by the Governor and four members appointed by the Lt. Governor (the House Speaker submits the names of two persons to the Lt. Governor). By law, these board members must have experience in higher education, business or finance.<sup>116</sup> The Board has no staff of its own, but reimburses the Office of the Comptroller of Public Accounts for 21.5 staff to support the day-to-day operations of the Board. The Board receives no appropriation to operate the plans, but instead relies on prepaid tuition contract payments, investment income, and fees to cover administrative costs and tuition benefits.<sup>117</sup>

### *Texas Transportation Institute*

As a state agency since 1950 and a member of The Texas A&M University System, the Texas Transportation Institute (TTI) serves Texas and the nation as a focal point for all modes of transportation research. TTI's mission is to: 1) Identify and solve transportation problems through research; 2) Transfer technology and knowledge to the transportation industry and the traveling public; and 3) Develop diverse human resources to meet the transportation challenges of tomorrow.

In its 60-year history, TTI has made fundamental research breakthroughs in many areas, including transportation safety; urban traffic mobility and management; transportation materials and structures; transportation planning; and construction strategies that save lives, time and resources. Virtually every mile of roadway in Texas has been positively affected by TTI research.

TTI is widely recognized as one of the largest and finest higher-education-affiliated transportation research institutes in the nation, conducting over 600 research projects each year. TTI provides research expertise in all modes: surface, air, pipeline, water, and rail, as well as the interaction between and among modes.

While the Institute's research agenda primarily responds to specific sponsor requirements, transportation consumers throughout Texas and the nation are the ultimate beneficiaries of the work conducted by TTI. TTI researchers are helping develop state and national transportation research agendas and transportation standards, working with over 200 sponsors annually in both the public and private sectors. TTI has enjoyed a 60-year relationship with the Texas Department of Transportation (TxDOT). This relationship helps ensure that TTI research is put into practice for the ultimate benefit of all Texans.

Historically, TTI has been very successful in leveraging state funds to obtain federal funding. When all state funds are considered, TTI's leverage ratio of direct state appropriations to total funds exceeds 1:14. While this is an impressive ratio, TTI's state appropriations are crucial to the agency's operations. They enable the Institute to maintain a core set of research strengths and

expertise, personnel, laboratories and facilities that are readily available to the legislature and state agencies and essential to the Institute's ability to compete for national research programs and centers. The state's investment is further enhanced due to TTI's role in educating the next generation of transportation professionals.

TxDOT has conservatively estimated that the cost-benefit ratio of its research program, of which TTI is the largest participant, is in excess of 1:5. These benefits can be measured in terms of lives saved, traffic crashes avoided, person-hours of traffic delay eliminated and reduced operating expenses for TxDOT.<sup>118</sup>



**APPENDIX A**

**Attached statement**

# TEXAS HOUSE OF REPRESENTATIVES



ROBERTO R. ALONZO  
DISTRICT 104

January 27, 2011

The Honorable Dan Branch, Chair  
Higher Education Committee  
Texas House of Representatives  
P.O. Box 2910 - Capitol Station  
Austin, TX 78768-2910

Dear Chairman Branch:

Thank you for the time and effort you and your staff have put into the Higher Education Committee interim report. The topics presented to the committee over the interim were important to review, especially in light of the importance of higher education.

While I generally agree with many of the recommendations in the report intended to improve our state's higher educational system, I offer this input as added clarification and personal emphasis on my behalf as a member of the committee.

## **Charge 1: Closing the Gaps**

I think it is important that the report emphasize that given our proposed budget cuts as it relates to the state budget in general, but financial aid in particular, that any changes to assisting students will require careful and serious consideration. We must not make such drastic cuts to financial aid programs that it will impede our "Closing the Gaps," efforts when it comes to affordability and accessibility of higher education for all students, particularly Latinos and other minorities that continue to lag behind their non-minority counterparts in enrollment, recruitment, and graduation rates. Since originally issued in October 2000, the "Closing the Gaps," initiative continues to change, but at a much slower pace than many anticipated. It is apparent to many experts, that cuts to financial aid programs have impeded this effort.

## **Charge 2: Financial Aid**

Like so many others, I have serious concerns regarding the proposed changes to the Texas Grant that convert it from a need-based to a merit based funding plan. Arguments that there are multiple measures that could be used to determine priority ignore the probability that these are likely inter-correlated, and would probably not result in any change in the priority rankings regardless of what measure is ultimately selected. The bottom line is that the Texas Grant was designed to be a financial aid, not merit scholarship program, and I would recommend that if

some feel we need more merit-based funding that a separate program be established for those purposes. Also with the impending cuts to Texas Grants already being proposed in the new budget, it may be necessary to see what impact those changes may have on current and future recipients, before changing other facets of the existing program.

### **Charge 3: Evaluate THECB**

On charge 3 dealing with reducing the number of reports produced by institutions of higher education (IHE's), there seems to be too much lack of specificity on what reports would be maintained and which ones would be eliminated. One question is appropriate here: "What would happen to the Closing The Gap Progress reports that allow us to monitor state progress toward expanding access to higher education for historically under-represented groups, and have helped document persistent lack of institution's success in recruiting, enrolling and graduating Hispanic students throughout the state?" Though concerns about costs associated with developing reports are noted on page 30, it is as important to recognize the costs associated with lack of data that may result from elimination of selected information that will be essential to guide future improvements in current systems. At a minimum, the recommendations should provide some greater specificity about what reports would not be eliminated in the name of efficiency.

### **Charge 4: Community College**

Many community/junior colleges support additional transfer pathways for students as they leave our junior colleges and continue their education with 4-year partner institutions, and 4-year universities in general. They support efforts to strengthen and promote more dual credit offerings. Additionally, feedback I have received from junior/community colleges in my district specifically, and the DFW/North Texas region in general, have expressed reservations about the implementation of momentum points. However, given the significant cuts in community college funding and the overall underfunding of the community college formula, the Dallas County Community College District (DCCCD), like so many other community college systems across the state, cannot support another 10 percent cut to their programs. This measure is not, by any means, a true incentive plan. And it certainly does not help in addressing the "Closing the Gaps" initiative, especially when we consider the fact that more students - particularly Latinos and other minorities - are choosing to start their post-secondary education at the community college level, instead of at 4- year institutions, because of affordability and accessibility.

### **Charge 5: Instructional Materials**

I, like so many colleges and universities across the state, support continued dialogue on exploring alternative means to reduce the escalating costs of instructional materials for students, especially if financial assistance programs are cut in any way. Whether it is electronic textbooks, internet resources, or other web-based resources, we must ensure that those alternative resources are made equally and fairly accessible to all students.

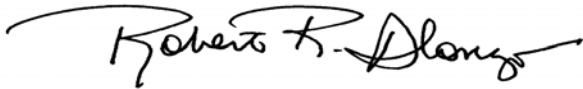
### **Charge 6: Capitol Improvement**

On the issue of using "*completed hours*" as a funding tool under Charge 6, it should be noted that the proposed changes would most likely have a disproportionate impact on varying

institutions, and would actually make it more difficult for institutions needing to improve course completions from having the resources needed to improve their course completion rates. A variation could include student-need-based funding to support institutions who serve large numbers of FTIC students, and requiring IHE's to use said resources in ways targeting increased course completion.

If I can ever be of any service to you or your staff as you get ready to finalize the report please feel free to contact me personally through either one of my legislative offices in Dallas or Austin at the telephone numbers listed below this letterhead.

Sincerely,



Roberto R. Alonzo  
Texas State Representative  
District 104 - Dallas

RRA/jrb

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## ENDNOTES

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- <sup>5</sup> Texas Educational Opportunity Grant, <http://collegeforalltexans.com/apps/financialaid/tofa2.cfm?ID=529>
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- <sup>46</sup> Public Hearing of the House Committee on Higher Education, 81st Interim (April 20, 2010) Testimony of Raymund Paredes, Commissioner, Texas Higher Education Coordinating Board
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