

# **Feasibility Study for Restructuring Texas Student Financial Aid Programs**

**Texas Higher Education  
Coordinating Board Meeting  
April 24, 2008**

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# Presenters from Higher Education Insight Associates

- Larry Matejka
- Ross Hodel
- Sheila Pruden

# Historical Context

- TEXAS Grant Program created
- *Closing the Gaps* adopted
- Recommended curriculum adopted
- B-On-Time program created
- Tuition deregulated
- Recommended curriculum becomes the default

# Rider 49 and THECB Additions

1. Require FAFSA for admission
2. TEXAS Grant and all student aid programs → direct grant & common formula
3. Set-asides → TEXAS Grant
4. Index grants to room & board
5. Disburse as stipends (maximize federal tax credits)
6. Disburse to students via debit card
7. Add a merit component to the TEXAS Grant
8. B-On-Time – role and funding
9. Collapse small grant programs



# Feasibility Study

In the context of *Closing the Gaps*' goals

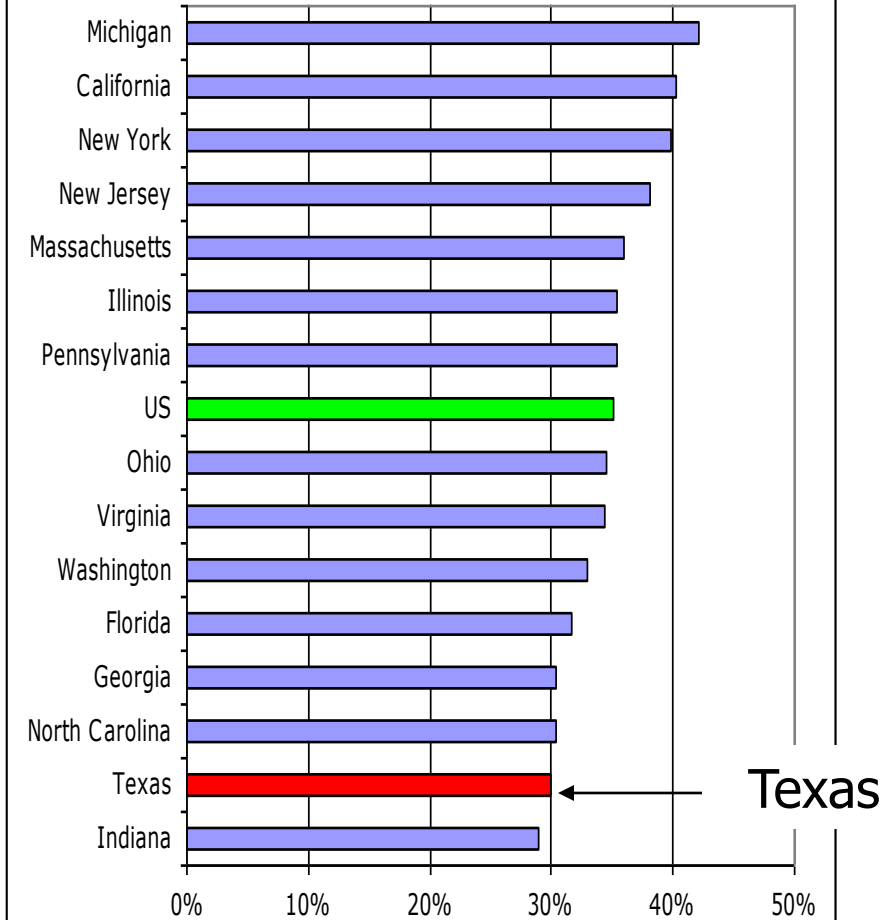
- Participation
- Success

“The right money to the right students at the right time.”

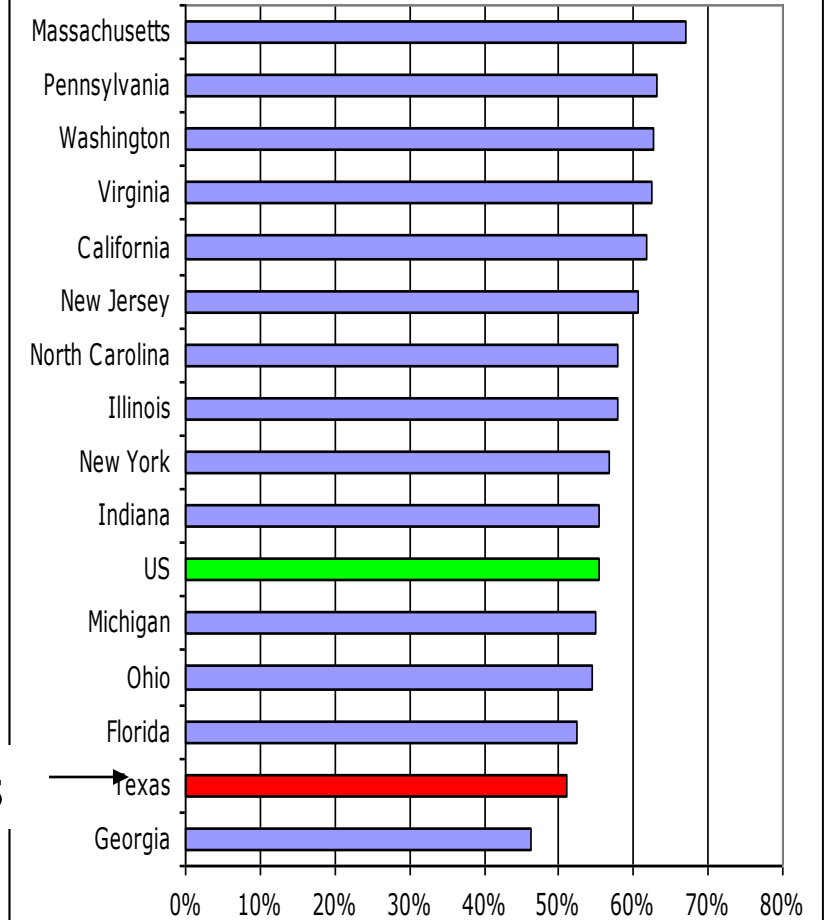
# November 13 – April 24

- Interviewed over 25 policy makers & governmental officials
- Conducted 4 Advisory Committee meetings
- Conducted student focus group
- Interviewed program directors in 14 Peer States
- Surveyed all TX institutions
- Consulted national experts
- Met with THECB staff
- Reviewed relevant literature and data

## Participation



## Completion



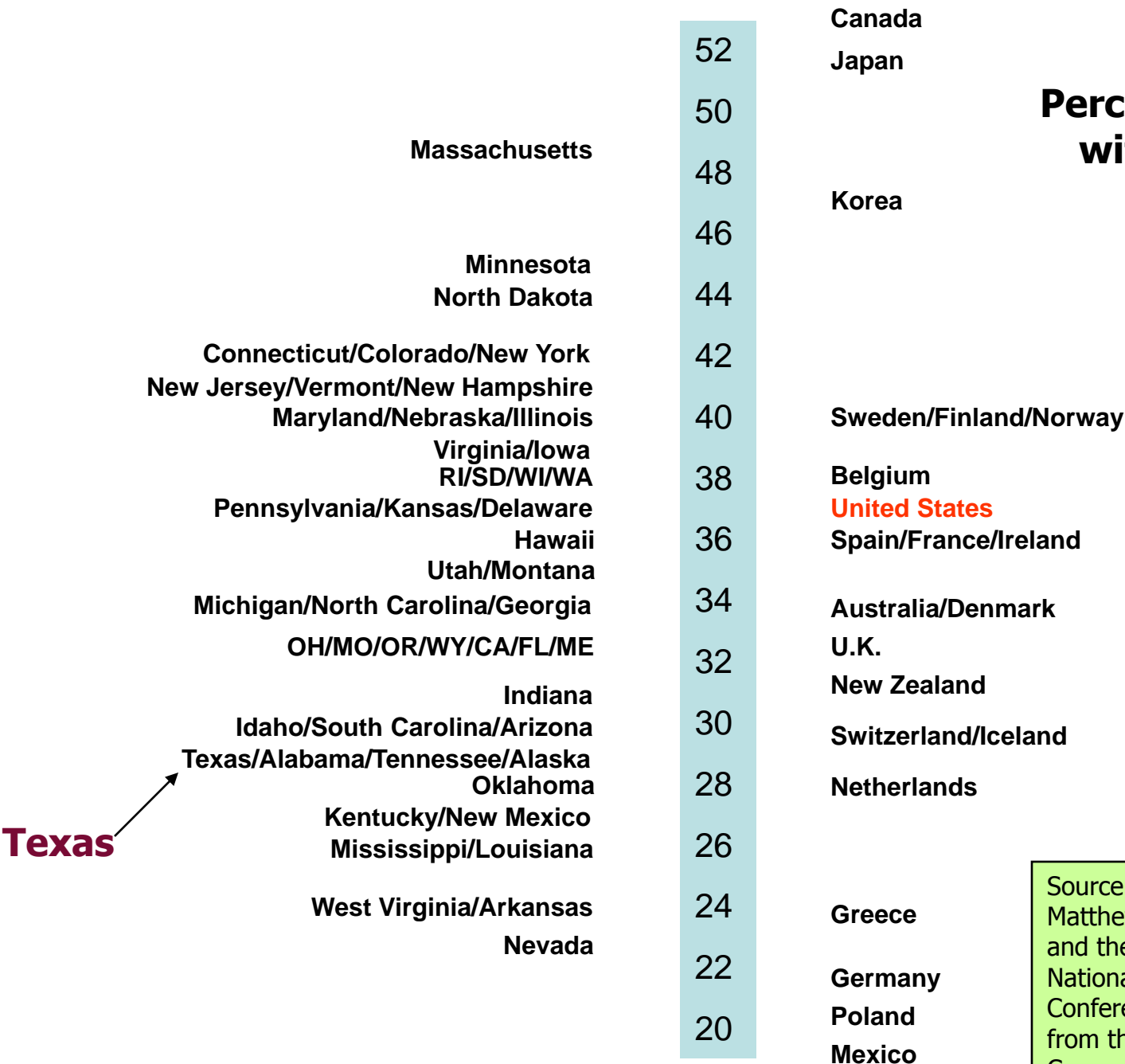
Sources: *Measuring Up 2006. NCES, Digest of Education Statistics, 2006.*

# College Participation Race & Income 2002-04

% of 18-24 year olds enrolled 2002-04	Texas	US Average
Top 20% income	<b>51%</b>	52%
White	<b>36</b>	39
Lowest 20% income	<b>28</b>	32
Non-white	<b>26</b>	29



## Percent of Adults 25-34 with Postsecondary Degree



Source: Presentation by Dwayne Matthews of the Lumina Foundation and the Hunt Institute at the National Governors Association Conference, July 2007. Data are from the Organization for Economic Co-operation and Development.

# Progress

- Improved college prep course-taking
- Increased college participation rates
- Increased overall enrollment 20%
- Improved 6-year baccalaureate completion (96-97 to 03-04)
  - Texas 44% up to **51%**
  - US 52% up to **55%**

# Principles

1. Develop comprehensive system with consistent eligibility criteria, purposes, & transitions
2. Build on strengths of current programs
3. Support state's highest priorities
4. Focus on low- & middle-income students
5. Simplify for students & families
6. Incorporate positive financial incentives
7. Address needs of both traditional & non-traditional students
8. Improve accountability structure

# Recommendations

- 14 recommendations
    - Laying the cornerstone
    - Participation and success
    - Efficiency and accountability
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# Findings and Recommendations – Laying the Cornerstone

- Findings
  - TEXAS Grant is “the student aid program of the future”
  - TEXAS Grant is making a difference



# TEXAS Grant Making a Difference

2000 Public University Cohort by 2006	% Graduated	% Still Enrolled	% Graduated + Enrolled
All Students	57	18	75
No Grant	64	14	78
<b>TEXAS Grant</b>	<b>54</b>	<b>22</b>	<b>76</b>
Other Financial Aid	48	20	68

Source: THECB Staff

# Findings and Recommendations – Laying the Cornerstone

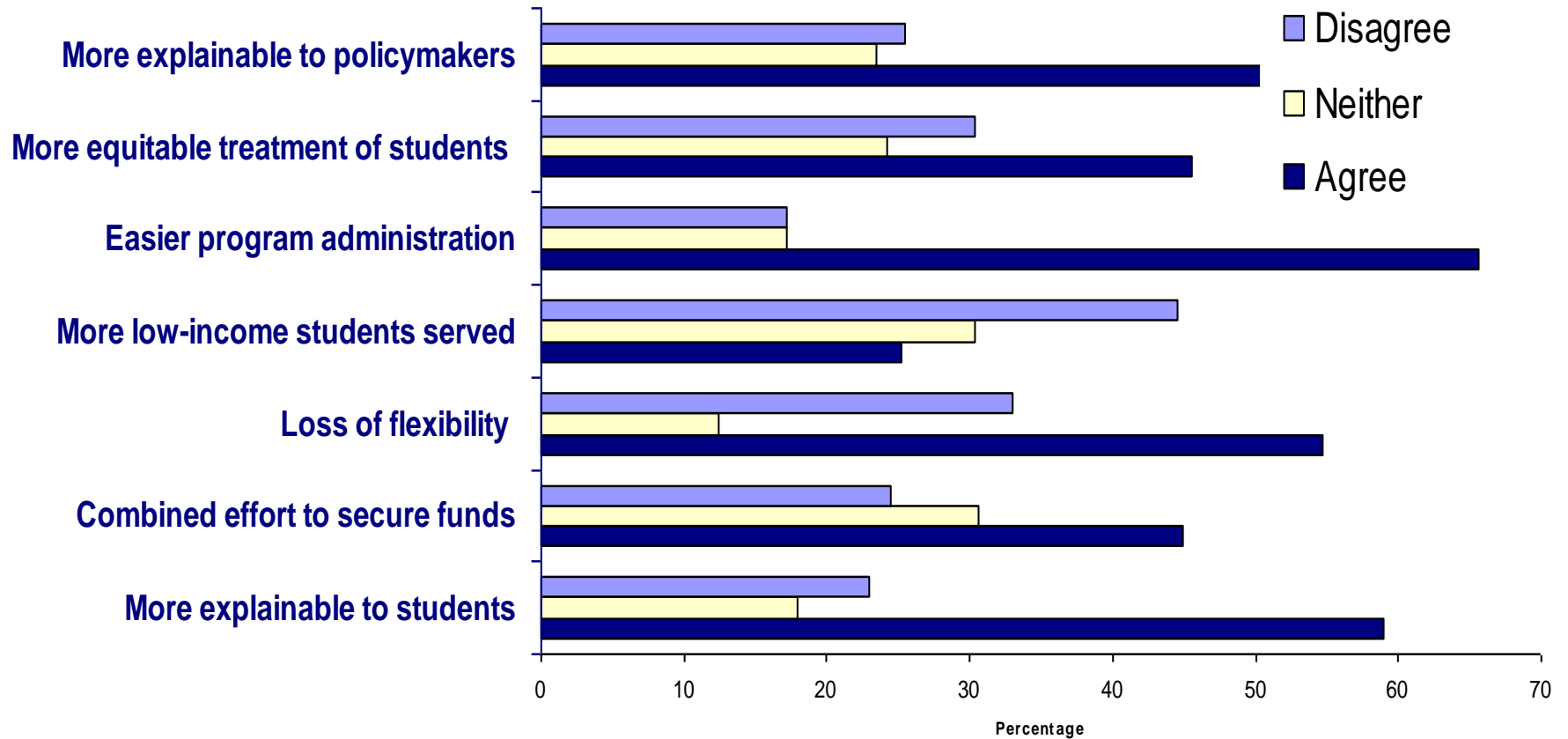
## □ Recommendation 1:

- Maintain the TEXAS Grant as the cornerstone program for a comprehensive student financial aid system.

## □ Recommendation 2:

- Develop a long-range plan for aligning and merging the Tuition Equalization Grant and the Texas Educational Opportunity Grant with the TEXAS Grant to form one comprehensive financial aid program based on family financial strength and academic merit.

# Expected Results of One Program



Source: *Institutional Survey*



# Findings and Recommendations – Laying the Cornerstone

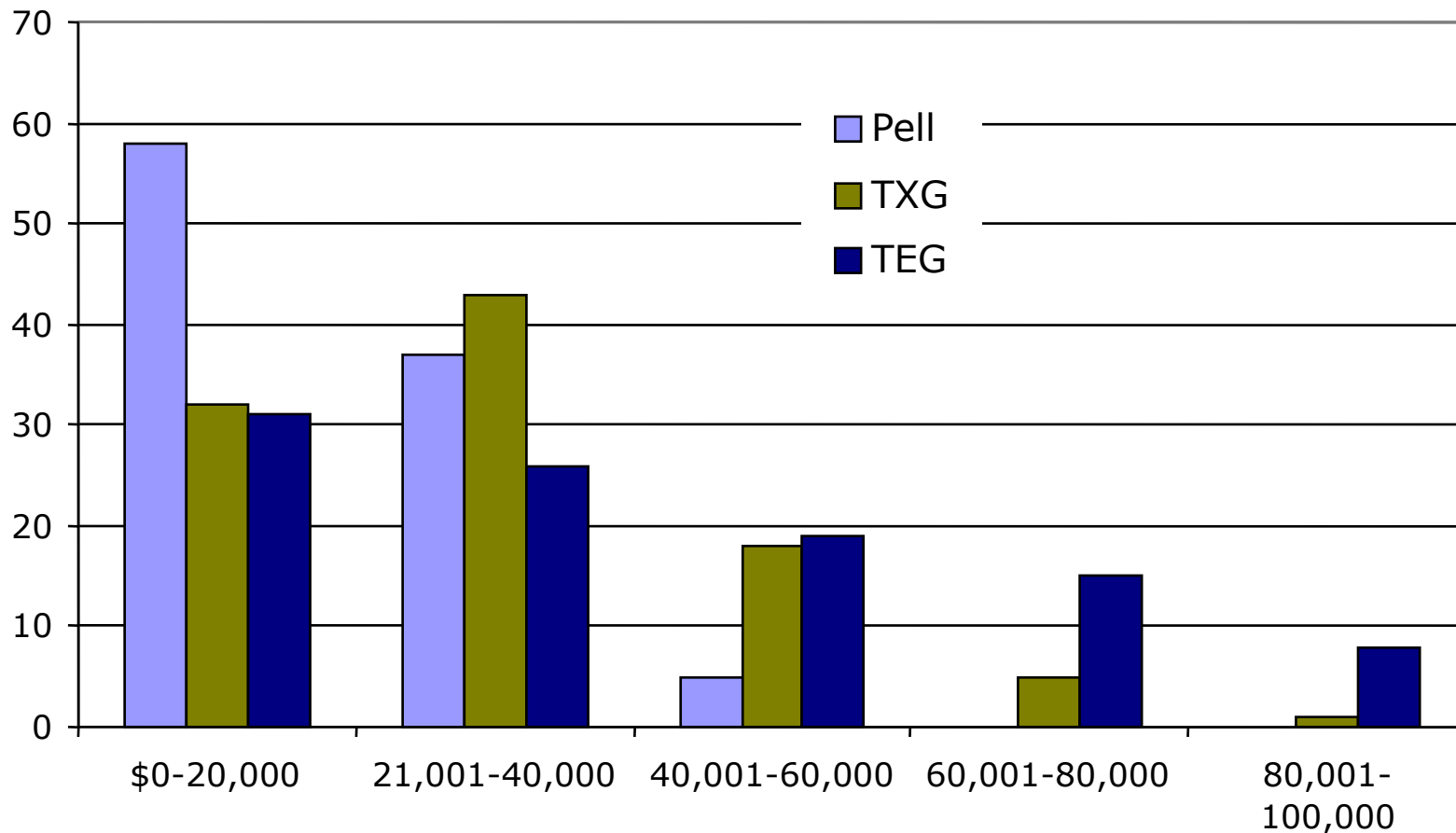
- Recommendation 3:
    - Align the award criteria and allocation formulas for TXG, TEG, and TEOG while keeping separate funding streams.
  - Recommendation 4:
    - Assure that the least advantaged students, those from families in the three lowest family income quintiles, receive the greatest benefit from public funds.
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## 2006 Texas Family Income Quintiles

	<b>MIN</b>	<b>MAX</b>	<b>MEAN</b>
<b>Q1</b>	<b>\$0</b>	<b>\$22,000</b>	<b>\$12,208</b>
<b>Q2</b>	<b>\$22,001</b>	<b>\$39,299</b>	<b>\$30,587</b>
<b>Q3</b>	<b>\$39,300</b>	<b>\$61,684</b>	<b>\$49,345</b>
<b>Q4</b>	<b>\$61,685</b>	<b>\$98,249</b>	<b>\$77,490</b>
<b>Q5</b>	<b>\$98,250</b>	<b>on up</b>	<b>\$173,724</b>

Source: *Current Population Survey*

## Distribution of Aid by Income Pell, Texas Grant, & Tuition Equalization Grant 2006-2007



Source: THECB Staff



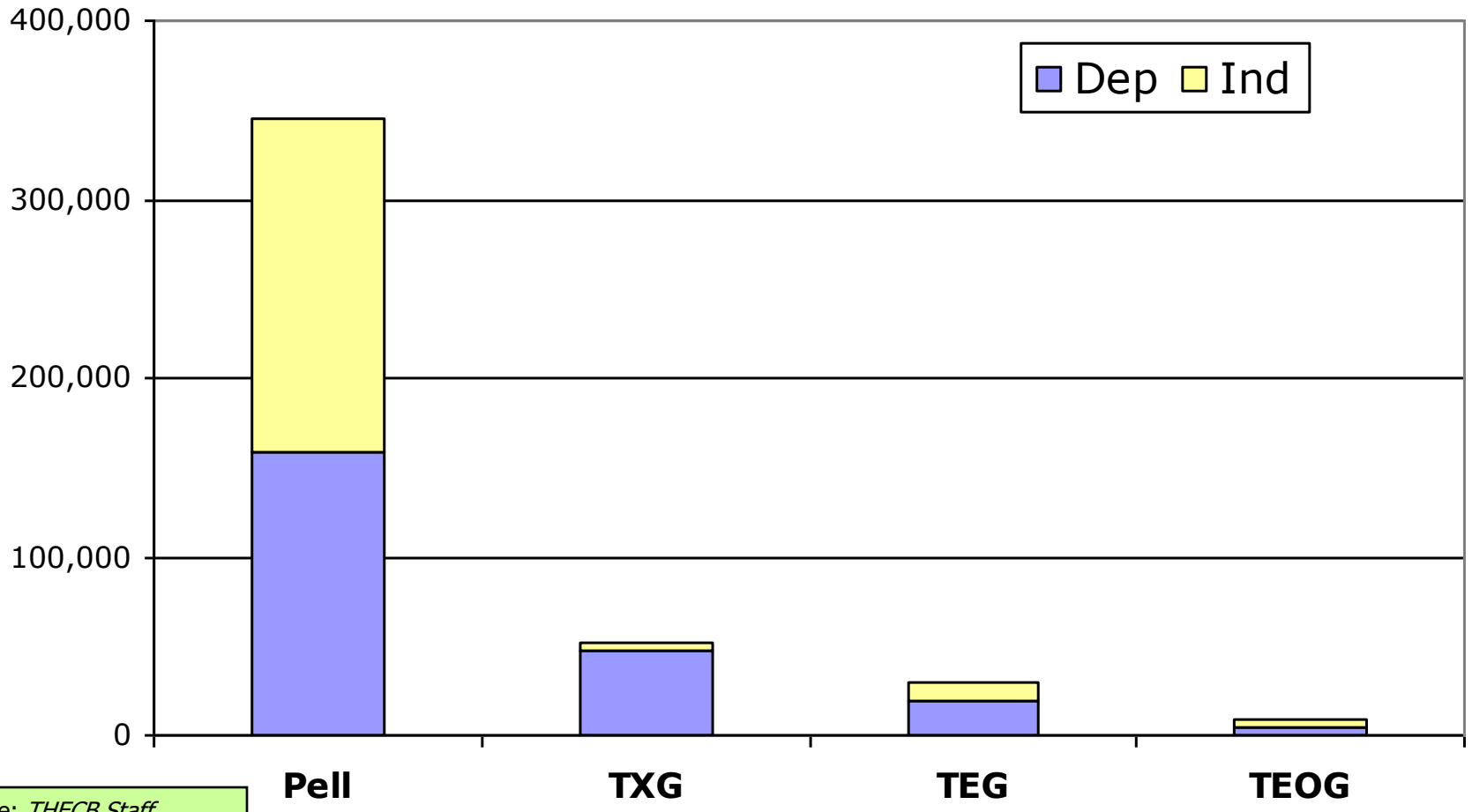
# Findings and Recommendations

## Participation and Success

### □ Findings

- Few independent students are served
- Merit programs in other states are entitlements
- About one half of the eligible students are getting a TEXAS Grant
- Recommended curriculum now default
- Renewal criteria may be counterproductive

## Number of Recipients Dependent and Independent



Source: THECB Staff

# Findings and Recommendations – Participation and Success

## □ Recommendation 5:

- Maintain components of the TEG Grant and the TEOG Grant that serve non-traditional students until they can be consolidated into the TEXAS Grant program.

## □ Recommendation 6:

- Maintain the set-aside funds as institution-based and administered programs.

## Characteristics of Public- 4 TPEG Recipients, 2006-07

	Dependent	Independent
<b># recipients</b>	<b>33,955</b>	<b>33,290</b>
<b>Mean taxable income</b>	<b>\$40,131</b>	<b>\$19,114</b>
<b>% with zero EFC</b>	<b>25.0</b>	<b>42.2</b>
<b>% Male</b>	<b>40.8</b>	<b>34.8</b>
<b>% Minority</b>	<b>65.2</b>	<b>48.1</b>
<b>% Father, no college</b>	<b>51.5</b>	<b>47.9</b>
<b>% Mother, no college</b>	<b>53.5</b>	<b>51.8</b>
<b>% with Pell Grant</b>	<b>61.4</b>	<b>49.6</b>
<b>% with TXG Grant</b>	<b>32.1</b>	<b>2.8</b>
<b>% with Stafford Sub</b>	<b>60.5</b>	<b>75.4</b>

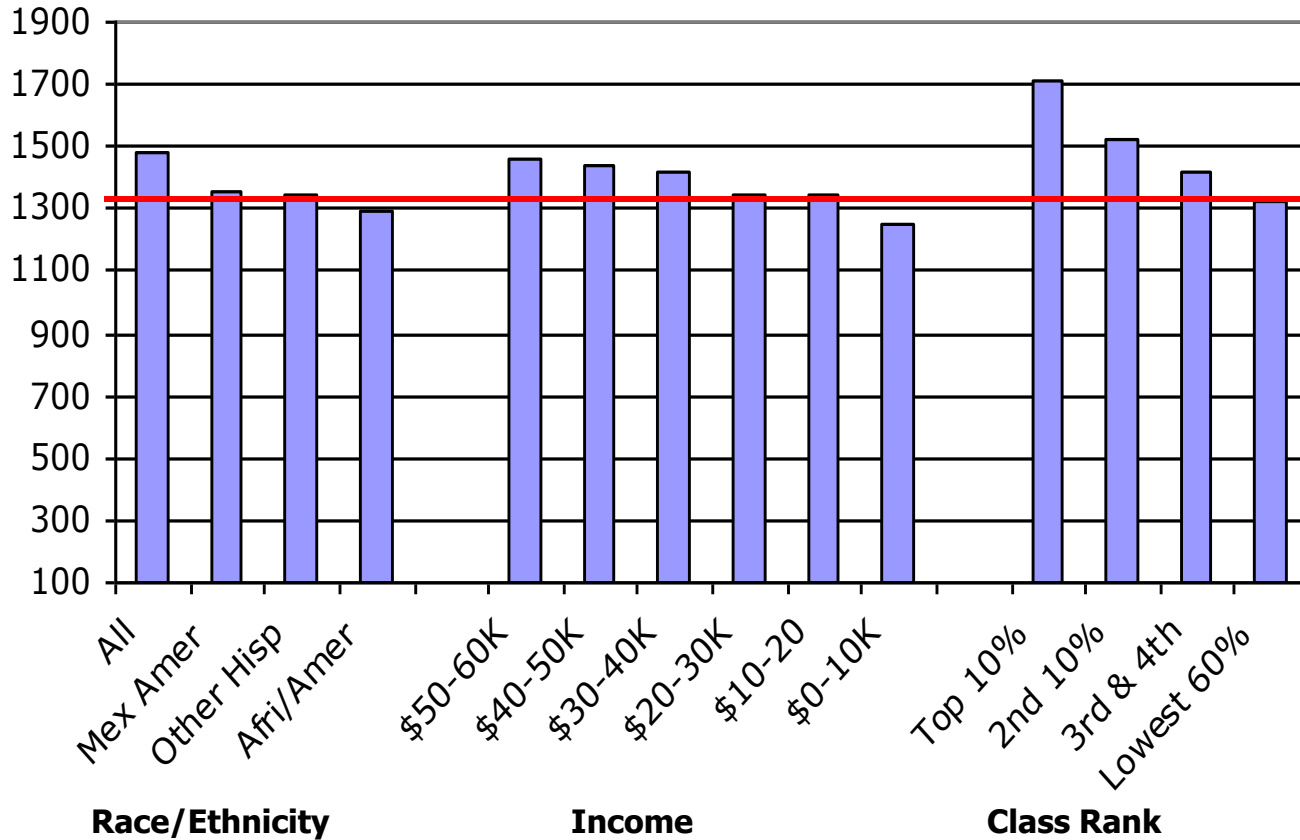
# Findings and Recommendations

## Participation and Success

- Recommendation 7: Add a merit criterion for initial eligibility for the Texas Grant to provide incentives for students with the most potential.
  - Score 1300 or above on the SAT or
  - Rank in the top 40% of the class or
  - Complete the Distinguished Curriculum



### SAT Scores - Texas Students Average Scores by Race/Ethnicity, Income, and Class Rank



Source: College Board SAT, 2007 College-Bound Seniors, State Profile Report, Texas. \*US Sum of Means = 1511, range 600-2400

# Findings and Recommendations

## Participation and Success

### □ Recommendation 8:

- Develop an eligibility pathway for needy non-traditional and independent students for a Texas Grant:
  - Earn an associate degree or
  - Complete 12 hours of transferable general education courses with a GPA of 3.0 or
  - Complete 24 hours of transferable courses (general education and/or major-specific courses) with a GPA of 3.0

# Findings and Recommendations

## Participation and Success

- Recommendation 9:
  - Align renewal criteria for TEXAS Grant with the satisfactory academic progress standards for the Pell and institutional programs.

<b>Primary Need-Based Grant Program</b>	<b>Initial Merit Requirement?</b>	<b>Requirement</b>	<b>Renewal Requirements</b>
<b>California</b>	Yes	2.0 - 3.0 GPA	Federal SAP
<b>Texas</b>	Yes	RHSC	2.5/24hrs/75%
<b>New York</b>	No		Federal SAP
<b>Florida</b>	No		Federal SAP
<b>Illinois</b>	No		Federal SAP
<b>Pennsylvania</b>	No		Federal SAP
<b>Ohio</b>	No		Federal SAP
<b>Michigan</b>	Yes	ACT = 90 comprehensive	Federal SAP
<b>Georgia</b>	Yes	College Prep 3.0 GPA; other 3.2	3.0 and 30 semester Hrs.
<b>North Carolina</b>	No		Federal SAP
<b>New Jersey</b>	No		Federal SAP
<b>Virginia</b>	No		Federal SAP
<b>Massachusetts</b>	No		Federal SAP
<b>Washington</b>	No		Federal SAP
<b>Indiana</b>	Depends on HS Diploma	Incentives for Some Diplomas	Federal SAP

Source: *Peer State Interviews*

# Findings and Recommendations

## Efficiency and Accountability

- Recommendation 10: Maintain a decentralized approach to administration of the TXG and the TEG Grant with the following changes:
  - A uniform formula for determining students' awards based on family financial strength and merit.
  - A common process for allocating grant funds to institutions.
  - A common FAFSA application priority date
  - Phase out priority for renewals



# Findings and Recommendations

## Efficiency and Accountability

- Recommendation 11:
  - Maintain the B-On-Time program as a secondary incentive program for the 36% of Texas students who attend college on a full-time basis.

# Findings and Recommendations Efficiency and Accountability

- Recommendation 12:
    - Collapse several smaller programs into two; a workforce shortage program and a college readiness/early commitment program.
    - Add sunset provisions to all new small programs.
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# Findings and Recommendations

## Efficiency and Accountability

- Recommendation 13:
  - Continue use of institution-level debit cards. Do not use a debit card at the state level to distribute aid. Ensure the state's contribution is recognized on institutional award notifications.



# Findings and Recommendations Efficiency and Accountability

- Recommendation 14:
  - Develop an accountability system that monitors:
    - students' progress and success
    - institutional effectiveness in administering state programs
    - progress toward state-wide goals for participation and success.