

Senate Higher Education Committee

Interim Report

December, 2010

Please direct questions and comments to:

Senator Judith Zaffirini, PhD, Chair
Senate Higher Education Committee
P.O. Box 12068
Austin, Texas 78711
512/463-0121

Interim Report developed by:

Ray Martinez, JD, Senate Higher Education Committee Director
Mark Kavanaugh, JD, PhD, Policy Analyst
Jonathon Mathers, MA, Policy Analyst
Gonzalo Serrano Jr., BA, Committee Clerk

Senator Judith Zaffirini, Chair
Senator Joan Huffman, Vice Chair



Senator Brian Birdwell
Senator Robert Duncan
Senator Chris Harris
Senator Kirk Watson
Senator Royce West

Senate Higher Education Committee

November 30, 2010

The Honorable
David Dewhurst
Lieutenant Governor of Texas
P.O. Box 12068
Austin, Texas 78711

Dear Lieutenant Governor Dewhurst:

The Senate Higher Education Committee hereby submits our interim report, including recommendations to the 82nd Legislature.

Respectfully submitted,

Handwritten signature of Judith Zaffirini in black ink.

Senator Judith Zaffirini, Chair

Handwritten signature of Joan Huffman in black ink.

Senator Joan Huffman, Vice Chair

Handwritten signature of Royce West in black ink.

Senator Royce West

Handwritten signature of Robert Duncan in black ink.

Senator Robert Duncan

Handwritten signature of Chris Harris in black ink.

Senator Chris Harris

Handwritten signature of Kirk Watson in black ink.

Senator Kirk Watson

Handwritten signature of Brian Birdwell in black ink.

Senator Brian Birdwell

Contents

Acknowledgements.....	i
Introduction.....	01
Charge One. Financial Aid.....	05
Charge Two. Community Colleges.....	19
Charge Three. Developmental Education.....	35
Charge Four. Accountability.....	49
Charge Five. Cost Drivers.....	65
Charge Six. Texas Higher Education Coordinating Board.....	77
Charge Seven. Endowments.....	91
Charge Eight. Dual Credit.....	101
Charge Nine. Legislation Oversight.....	113
Conclusion.....	121
Letters from Members.....	123

Acknowledgements

The Senate Higher Education Committee thanks the following for their assistance during our interim hearings and contributions to the writing of this report:

Texas Higher Education Coordinating Board
Texas Public Universities and Systems
Legislative Budget Board
Texas Education Agency

Patsy Spaw, Secretary of the Senate
Scott Caffey, Senate Committee Coordinator
Rick DeLeon, Senate Sergeant-at-Arms
Senate Publications and Printing
Texas Legislative Council
Senate Research Center

The report was made possible by the leadership of the Committee members and the contribution of their dedicated staff:

Ray Martinez, Mark Kavanaugh, Jonathan Mathers, Gonzalo Serrano, Will Kruger,
and Michael Dole, representing Senator Zaffirini, Chair
Johanna Sheffield, representing Senator Huffman, Vice Chair
Lajuana Barton, representing Senator West
Meagan Scott, representing Senator Duncan
Kristen Webb, representing Senator Harris
Edna Butts, representing Senator Watson
Liz Young, representing Senator Birdwell
John Opperman and Caasi Lamb, representing Lieutenant Governor
David Dewhurst

The Committee also appreciates the numerous stakeholders for their involvement in developing this report, especially those who provided testimony during public hearings.

Introduction

During the 81st Legislative session (2009) Lieutenant Governor David Dewhurst elevated the Senate Higher Education Subcommittee to a full committee. This made Texas one of eight states that have independent Senate committees devoted to higher education issues. What's more, during the 81st Interim, the Lieutenant Governor expanded the membership from five members to seven.

During the interim the Senate Higher Education Committee held seven hearings and invited more than 120 witnesses to provide testimony. These witnesses represented a cross-section of higher education stakeholders and included students, university presidents and chancellors, faculty members, higher education administrators, independent school district superintendents, and heads of state agencies. Additionally, the selection of witnesses encapsulated geographic, philosophical, and ethnic diversity. Invited witnesses were requested to provide written testimony before each hearing to allow the Senators to become familiar with their testimony and prepare appropriate questions. Public testimony also was encouraged and included in our agenda. This report is the result of their testimony, senators' questions, and relevant research.

On January 13, 2010, Lieutenant Governor David Dewhurst issued the following nine interim charges to the Senate Higher Education Committee:

1. **Financial Aid.** Study and make recommendations regarding more cost-effective funding of financial aid, including ways to restructure financial aid programs to promote student success and the efficacy of the current \$365 million in current exemptions and waivers offered to students at institutions of higher education. Examine the new Free Application for Federal Student Aid (FAFSA) and determine the impact on eligibility for existing Texas financial aid programs and on data availability resulting from the simplification. Include recommendations on how to expand the TEXAS Grant and B-on-Time programs.
2. **Community Colleges.** Review community college service areas to ensure that student needs are being met in the most effective and efficient manner. Study and make recommendations to improve the productivity and cost-effectiveness of the community college/university model for producing

baccalaureate degrees, including identifying proven best practices; analyzing success rates of similar cohorts of students by comparing those who begin at community colleges with those who begin at four-year institutions; and analyzing transfer issues including dual admissions programs and academic advising services to facilitate a seamless transfer from two-year to four-year institutions. Include an assessment of the role of technical and vocational training programs and their impact on jobs.

3. **Developmental Education.** Study and make recommendations regarding improving developmental education, which costs the state over \$100 million per year, with a focus on enhancing student success in these courses.
4. **Accountability.** Study and make recommendations regarding the current accountability system and ways to measure student progress, faculty workload, and student advising; and to improve time-to-degree. Examine the quality of academic advising services to ensure that students are taking courses relevant to their degree program and are on path for graduation. Study and make recommendations to eliminate unnecessary or duplicative reporting requirements.
5. **Cost Drivers.** Examine cost drivers in higher education. Recommend opportunities for achieving cost efficiencies including reporting requirements, three-year degree programs, and community college baccalaureate degree programs. Study and make recommendations regarding more effective means of using technology, including digital textbooks and online degree programs, to improve access, enhance quality, and reduce the cost of higher education while preserving excellence.
6. **Texas Higher Education Coordinating Board.** 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. Include an assessment of higher education reporting requirements and make recommendations to eliminate duplicate requirements and streamline reporting.
7. **Endowments.** Review endowed funds at institutions of higher education to ensure compliance with all state laws and, in particular, the Uniform Prudent Management of Institutional Funds Act. Study and make recommendations for requiring all institutions of higher education to report annually to donors

on the use of gifts and endowed funds. Review state laws to determine if they provide adequate oversight of these funds. Study the manner in which scholarship and other funds are given and bequeathed to institutions of higher education and make recommendations for ensuring that donors' wishes are honored while institutions are allowed appropriate flexibility with the use of the funds.

8. **Dual Credit.** Review dual credit courses, including the cost of delivery, funding mechanisms, and possibility of a statewide dual credit system. This review should also include an examination of the rigor, quality and consistency of dual credit courses. (Joint charge with Senate Education Committee)
9. **Legislation Oversight.** Monitor the implementation of legislation addressed by the Senate Committee on Higher Education, 81st Legislature, Regular and Called Sessions, and make recommendations for any legislation needed to improve, enhance and/or complete implementation. Specifically, focus the following, as well as tuition legislation:

HB 51 relating to emerging research Tier 1 universities;

SB 175 relating to top ten percent

The Senate Higher Education Committee is grateful to the Lieutenant Governor for the opportunity to address these critical issues and to submit this report. We hope it will be useful and insightful for those who share our interest in this important arena.

Charge One--Financial Aid

Study and make recommendations regarding more cost-effective funding of financial aid, including ways to restructure financial aid programs to promote student success and the efficacy of the current \$365 million in current exemptions and waivers offered to students at institutions of higher education. Examine the new Free Application for Federal Student Aid (FAFSA) and determine the impact on eligibility for existing Texas financial aid programs and on data availability resulting from the simplification. Include recommendations on how to expand the TEXAS Grant and B-on-Time programs.

Background/Legislation

Student financial aid programs provide many undergraduate, graduate, and professional students with an opportunity to attend higher education institutions that they otherwise may not have been able to afford. These programs, whether they are grants, scholarships, loans, work-study, or assistantships help to ensure that students, regardless of economic status, are able to achieve their educational goals.

Demographics

Dr. Steve Murdock, Rice University, provided an overview of projected population changes, student demographics, and potential financial aid needs based on these projections. Dr. Murdock noted that Texas is growing at more than twice the rate of the rest of the United States (18.8 percent and 9.1 percent, respectively). Texas' population grew 22.8 percent (up 3.9 million) from 1990 to 2000. This growth continued between 2000 and 2009, when Texas' population grew by an additional 3.9 million people, reaching nearly 25 million. Much of this growth was due to increased Hispanic population. Projections indicate that the Hispanic population will continue to grow, eclipsing the Non-Hispanic white population by 2020 (assuming rates of net migration equal to 2000-2007). What's more, Hispanics are projected to comprise approximately 45 percent of the state's total population by 2020. Education, including higher education, will be impacted significantly by the changing demographics of the student population.

Sources of Student Aid

Texas students receive financial aid primarily from three sources: the federal government, the state government, and higher education institutions. In 2007-2008, the federal government provided 83 percent of student aid in Texas, compared to 71 percent of the student aid in the United States. Federal student loans make up a significant amount of the aid received by Texas students. What's more, in 2007-2008, \$6.1 billion in financial aid was available to Texas students, including \$5.1 billion in federal aid, \$496 million in state aid, and \$561 million in institutional aid.

Federal Student Aid

Federal student aid is available in a variety of programs, including grants, loans, and work-study. The Pell Grant is the federal government's primary source of need-based student grant aid. It is awarded to eligible undergraduates pursuing their first baccalaureate degrees, and the actual award is based on the student's Expected Family Contribution (EFC), as determined by data collected in the Free Application for Student Financial Aid. The Supplemental Equal Opportunity Grant (SEOG) often supplements the Pell Grant and is awarded to undergraduates pursuing their first baccalaureates, with priority given to Pell Grant recipients and students with the lowest EFCs at their respective institutions. Other smaller grant programs include the Academic Competitiveness Grant and the National Science and Mathematics Access to Retain Talent Grant (SMART).

The lion's share of federal student aid comes in the form of student loans. There are several types of federal student loans, including Perkins Loans, Stafford Loans, and PLUS Loans. The Federal Perkins Loan Program is available to undergraduate and graduate students, prioritizes students with exceptional need, and provides qualifying students with up to \$4,000 per academic year (or \$6,000 for graduate students). Federal Stafford Loans are either subsidized (the federal government pays the interest on the loan while it is in deferment) or unsubsidized (the interest accrues while the loan is in deferment). Need is a factor only in awarding subsidized Stafford loans. The subsidized Stafford loan program provides between \$3,500 and \$5,500 annually to undergraduate students and \$8,500 to graduate or professional students. The interest rates are fixed at 4.5 percent and there are various grace and deferment periods. The unsubsidized Stafford loan program provides between \$6,000 and \$7,000 annually to undergraduate independent students, \$12,000 to graduate students, and \$30,000 to professional students. The interest rates are fixed at 6.8 percent, and the loans have various grace and deferment periods. Federal PLUS loans are similar to Stafford loans, except that parents, not students, sign for the loan.

State Student Aid

Compared to federal aid, state and institutional student financial aid provide a small share of the financial aid dollars available to Texas students. State student financial aid programs remain, however, important in supplementing federal aid.

The primary need-based grant program in Texas is the Towards Excellence, Access, and Success (TEXAS) Grant. In order to be eligible for a TEXAS Grant a student must be a Texas resident, show financial need (currently defined as less than \$4,000 EFC), have not been convicted of a crime involving a controlled substance, register for the Selective Service or be exempt, and be a graduate of an accredited high school in Texas. What's more, a student must have completed the Recommended High School Program or Distinguished Achievement Programs while in high school, enroll in a non-profit public college or university within 16 months of high school graduation, and have accumulated no more than 30 semester credit hours, excluding dual credit, concurrent courses, or credit earned by examination (*e.g.*, IB, AP, or CLEP).

Students also must meet requirements to remain eligible for the TEXAS Grant after they have received it. If the student already has achieved an associate's degree from a public, state, or community college in Texas and enrolls in any public university within 12 months after receiving it, he or she remains eligible for a renewal grant. To remain academically eligible for the TEXAS Grant, a student must meet the institution's satisfactory academic performance requirements at the end of his or her first year. After the first year, the student must maintain an overall GPA of 2.5, complete 75 percent of hours attempted, and complete 24 hours per academic year. The student can receive a TEXAS Grant for up to 150 semester credit hours, for five years for a four-year degree plan or six years if enrolled in a five-year degree plan or until completing a bachelor's degree.

If a student is eligible for a TEXAS Grant, the college or university is required to cover all tuition and fees for that student. The maximum awards for TEXAS Grants during the 2010-2011 academic year are \$6,780/year for public university students, \$1,780/year for public community college students, and \$3,150/year for public technical college students. To ensure that all tuition and fees are covered for students who receive TEXAS Grants, some institutions package the grants with other forms of financial aid, including federal, state, or institutional scholarships or grants.

Texas also provides other student financial aid grants through the Texas Educational Opportunity Grant (TEOG) and Tuition Equalization Grant (TEG) programs. To be eligible for a TEOG grant, a student must be a Texas resident, show financial need (\$2,000 EFC or less), and register for the Selective Service or be exempt. What's more, a student must be enrolled at least one-half time in the first 30 hours of an associate's degree or certificate program at a public two-year college in Texas, have not been granted an associate's or a baccalaureate degree, and have not been convicted of a felony or a crime involving a controlled substance. The TEOG grant provides an award equal to the student's tuition and fees. The TEG grant provides a Texas resident or non-resident National Merit Finalist who shows financial need and is enrolled at a private non-profit college or university a maximum of \$3,808/year or \$5,712/year for students who have an EFC equal to or lower than \$1,000.

In addition to the need-based grant programs, Texas utilizes the B-On-Time loan program to incentivize students to graduate on time, with at least a 3.0 GPA. This program provides a no-interest loan that is forgiven if the student graduates from an eligible institution with a cumulative GPA of at least a 3.0 within four calendar years after the date the student initially enrolled, within five calendar years of enrollment if the degree plan requires more than four years to complete, or within two calendar years after enrollment at a public or private two-year institution. The annual loan amounts for 2010-2011 were the same as the amounts for TEXAS Grants. B-On-Time is funded by tuition set-asides and general revenue.

Texas also utilizes the Texas Work Study Program. To be eligible a student must be a Texas resident, show financial need, register for the Selective Service or be exempt, and enroll in a university at least half-time. The award amount is determined by each institution, and the program is funded by general revenue.

Institutional Student Aid

Individual institutions may fund additional student aid programs from their respective resources. These programs include programs funded by tuition set asides, endowed or private donor scholarships, academic or athletic scholarships, tuition remission, institutional work-study, or assistantships.

Texas Guaranteed Student Loan Corporation

Texas also has established the Texas Guaranteed Student Loan Corporation (TG), a non-profit entity designed to administer the federal student loan program. The entity's duties include serving as the state's guaranty agency, processing federal student loans, and providing loan counseling services to students. The passage of

the federal Health Care and Education Reconciliation Act of 2010 (HCERA) impacted significantly the federal student loan industry and the mission of TG. For the purposes of higher education, the HCERA mandated that all federal student loans made after July, 2010, would be made under the Direct Loan program. This shift in federal policy mandates that the TG statute also should be altered 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.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on April 26, 2010. The hearing included invited testimony from the following persons:

- Steve Murdock, PhD, Professor of Social and Applied Demography, Rice University
- Rick Renshaw, Executive District Director of Financial Aid and Scholarship Programs, Dallas County Community College District
- Joseph Pettibon II, Assistant Provost for Student Financial Aid, Texas A&M University
- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Sue McMillin, President and CEO, Texas Guaranteed Student Loan Corporation
- Becky Wilson, Director of Student Financial Aid, Texas Tech University
- Rob Sheridan, Executive Director of Scholarships and Financial Aid, University of Houston
- Angelica Del Rosal, Graduate Student, Texas Woman's University
- Fred Heldenfels, IV, Chair, Texas Higher Education Coordinating Board
- Luis Figueroa, Legislative Staff Attorney, Mexican American Legal Defense Fund
- Laurie Fluker, PhD, Associate Dean of the College of Fine Arts and Communications, Texas State University
- Gary Bledsoe, President, Texas National Association for the Advancement of Colored People and Regent, Texas Southern University
- Jane Caldwell, Director of Grants and Special Projects, Texas Higher Education Coordinating Board
- Victoria Rodriguez, PhD, Vice Provost and Dean of Graduate Studies, The University of Texas at Austin
- Patrick Graves, Analyst, Legislative Budget Board
- Natalie Butler, Student, The University of Texas at Austin
- Lois Hollis, Senior Assistant to the Deputy Commissioner, Texas Higher Education Coordinating Board
- Drew Scheberle, Senior Vice President for Education and Talent Development, Austin Chamber of Commerce
- Arturo Alonzo, EdD, Deputy Commissioner of Business and Finance, Texas Higher Education Coordinating Board

- Lisa Blazer, PhD, Assistant Vice President for Student Financial Aid and Enrollment Services, The University of Texas at San Antonio
- Jackie Diaz, Assistant Vice President for Student Financial Services and Director of Financial Aid, Baylor University

Findings/Analysis

Student financial aid is key to ensuring participation and success in higher education. Whether the aid is through loans, grants, work-study, scholarships, or other means, student financial aid helps ensure that students have access to higher education. What's more, financial aid increases persistence rates. Accordingly, student financial aid is key to helping Texas meet its Closing the Gaps goals.

Demographics

One of the key issues impacting the distribution of and need for financial aid is Texas' changing demographics. Dr. Steve Murdock, Professor, Rice University, provided testimony regarding Texas' demographics and specifically the impact that they have on state financial aid policy. He noted that in 2010, there are approximately 25 million Texans and the state's population has grown twice as fast as the country as a whole. Most of this growth is concentrated in a few areas, notably major cities and along the border with Mexico.

The increasingly diverse population is especially important for financial aid policy, as ethnicity is correlated with educational attainment, which is correlated with income. Dr. Murdock testified that there are substantial differences between Anglos and African Americans and Hispanics related to educational attainment. These differences include African Americans and Hispanics graduating from high school at lower rates, having lower ACT/SAT scores, and graduating from college at lower rates than their Anglo counterparts. As Hispanics and African Americans generally have lower educational attainment, they are more likely to hold lower paying jobs and have more need for financial aid for their children.

Population growth also impacts the racial/ethnic makeup of Texas. Dr. Murdock stated that in 2003, Texas' population became less than 1/2 Anglo. There has been significant growth in the Hispanic population in Texas, and by 2040, the ethnic makeup of the state is expected to be 25-33 percent, Anglo; 8-10 percent, African American; 52-59 percent, Hispanic; and 6-9 percent, "other." This population shift has significant ramifications for higher education policy in general and for financial aid policy specifically.

Dr. Murdock's demographic projections provided additional insight into the impact of financial aid on the state's population. By 2040, he expects to see a 100 percent increase in the number of Texas students who will need financial aid. What's more, because these likely will be poorer, they will need approximately 200 percent of the financial aid currently awarded to Texas students. Additionally, demand for

community college enrollment will increase by 101 percent and demand for university enrollment will increase by 82 percent. This increased demand, if the state is not prepared, could cause significant problems in ensuring that students have adequate access to higher education.

Dr. Murdock also provided data regarding two potential scenarios, namely, (1.) if Texas were able to close some of the educational attainment gap between Anglos, Hispanics, and African Americans and (2.) if Texas does nothing to address the gap. If Texas does nothing to close the gaps in educational attainment, Dr. Murdock's data suggest the average household income in Texas will decrease by \$6,500/year in 2000 dollars, 30 percent of Texas' labor force will have less than a high school education, and there will be approximately 341,000 more persons incarcerated, costing the state \$5 billion/year.

If Texas closes the gaps in educational attainment, the outlook is much better for Texas' future. Assuming this happens, Dr. Murdock projects that the net increase in household income will be \$300 billion/year. What's more, consumer spending will increase \$220 billion per year. Additionally, instead of 341,000 persons in prison, there will be 158,000 incarcerated. This is an increase from 2000 figures of only 8,000 persons, despite the fact that the state's population is expected to double during the next 40 years. Thus, not only is closing the gap in education important for the lives of the persons impacted, it is critical to ensuring Texas remains economically competitive. Dr. Murdock testified that if Texas wants to compete, it needs to increase financial aid, thereby increasing educational attainment.

Federal Student Aid

Rick Renshaw, Executive District Director of Financial Aid and Scholarship Programs for the Dallas County Community College District, provided testimony regarding federal financial aid and how the various programs are utilized by Texas students. Texas students depend much more heavily on federal aid, including student loans, than do students in other states. As of March, 2010, Mr. Renshaw testified that approximately 59,000 persons in Texas were delinquent on one or more student loans. This represents approximately 36 percent of the total student loans in repayment, default, or delinquency. What's more, there were 6,300 persons in default on their student loans as of March, 2010. Consequences for defaulting on a student loan are significant and may impact a person for years or decades. The federal government may impose a legal judgment against a person in default, withhold tax refunds, place liens on property, or employ other similar debt collection techniques. Other witnesses testified that the most common type of

student who goes into default is one who drops out or otherwise does not complete his or her degree.

Texas Guaranteed Student Loan Corporation

Sue McMillin, President and CEO of the Texas Guaranteed Student Loan Corporation (TG), provided testimony regarding federal student loans and, specifically, on the impact of the federal government switching to Direct Lending. Among other services, TG provides delinquency and default prevention services to students who take out loans, financial literacy education for students, training for financial aid professionals, and loan processing services to institutions of higher education. Ms. McMillin said that the current statute governing TG restricted the organization from working with the Direct Loan Program in the same way that it worked with the previous federal loan program. She further testified that to continue providing the necessary services to students, institutions, and families, the statute governing TG should be amended to allow the company to work with the new federal loan program.

State Student Aid

During the last decade Texas has increased significantly the amount and type of state financial aid provided to students. For example, Dr. Raymund Paredes, Commissioner, Texas Higher Education Coordinating Board, testified that in 2000, approximately 51,000 students were awarded \$91 million in state financial aid. By contrast, in 2010 approximately 140,000 students were provided with \$477 million in aid. This increase in aid, however, corresponded with increasing tuition prices and increasing student enrollment. Accordingly, even as the state was investing more in student financial aid, the dollars were being spread among more students and paying for less of their overall educational costs. For example, in 2009 the state experienced its largest annual enrollment growth in history, an increase of 103,000 students, many from low-income families. Dr. Paredes testified that public four-year graduates leave with an average of \$15,000-\$16,000 in student loan debt in Texas. Dr. Paredes also said that the challenge for Texas is to increase financial aid significantly simply to keep pace with enrollment growth.

There also was significant testimony concerning specific state financial aid programs and ways the state could utilize state aid better to close the educational gap. Most witnesses agreed that the state should fully fund TEXAS Grants and other state financial aid programs. If that funding is not possible, then several witnesses provided alternatives to ensure that the state graduates as many students as possible per state financial aid dollar. For example, the Texas Higher Education Coordinating Board proposed a Priority Model for TEXAS Grants. According to

Dr. Paredes, this model would prioritize needy students who met certain academic criteria above needy students who did not meet these criteria. The model would not change the methodology by which higher education institutions receive TEXAS Grant money, and all TEXAS Grant recipients would still need to demonstrate an EFC lower than \$4,000. Dr. Paredes provided data that showed, using the 2003 cohort, that the six-year graduation rate for TEXAS Grant recipients who met the criteria was 60 percent, compared to 28 percent for recipients who did not meet the criteria. Not only would this model increase graduation rates, according to Dr. Paredes, but it also would send a message to recipients that the state expects them to be academically successful.

Other witnesses provided a counter-perspective to the Texas Higher Education Coordinating Board's proposed model. Luis Figueroa, with the Mexican American Legal Defense and Educational Fund testified that Hispanic students are especially reliant on TEXAS Grants and that the Texas Higher Education Coordinating Board's proposal negatively may impact Hispanic students' ability to receive a grant. Specifically, Mr. Figueroa stated that Hispanic students may be impacted negatively by the use of standardized exams as one of the criteria. What's more, SAT/ACT test scores, according to Mr. Figueroa, are not strong predictors of college success, especially when compared to actual performance in high school. Mr. Figueroa's recommendations included maintaining state funding for financial aid, reducing inequities between K-12 schools, and prioritizing students with the lowest EFCs for TEXAS Grants.

Gary Bledsoe, President of the Texas chapter of the National Association for the Advancement of Colored People, provided very similar testimony regarding the impact of the proposed Priority Model on African American students. Particularly, Mr. Bledsoe testified that minorities often live in poorer school districts or attend poorer schools within districts. What's more, ACT/SAT and other standardized test scores may prohibit African American students from receiving TEXAS Grants under the Priority Model while not being a very good predictor of college success. Like Mr. Figueroa, Mr. Bledsoe noted that the inequities that exist in the K-12 system should be addressed, thereby reducing significantly the education gap.

Several witnesses testified that the state should expand its work study program as this program is the most effective at ensuring student persistence and success. Rob Sheridan, with the Texas Association of Financial Aid Administrators and Mr. Bledsoe explicitly made the point that the state should increase funding to work-study to increase graduation rates.

Exemptions and Waivers

Other significant financial aid programs are exemptions and waivers. Although there are no statutory definitions for exemptions or waivers, they have generally accepted definitions. Jane Caldwell, Director of Grants and Special Programs at the Texas Higher Education Coordinating Board defined exemptions as programs that allow resident or non-resident students to pay lower tuition and fees than they would normally have to pay. Waivers are specifically for non-resident students and allow those students to pay resident rates. What's more, exemptions and waivers can be either optional or mandatory. Optional programs allow the institution's governing board to determine whether to waive a student's tuition and fees. Mandatory programs require that the governing board waive the student's tuition and fees.

Ms. Caldwell noted that the use and cost of tuition waivers and exemptions have increased over time. As of 2009, 209,000 students received an exemption or a waiver costing approximately \$359 million in foregone tuition and fees. The most popular exemptions include dual enrollment at community colleges, governing board fee exemptions, dual enrollment at four-year institutions, and distance learning. The most popular waivers are for teaching and research assistantships, competitive scholarships, members of the military, and students in border states. Ms. Caldwell noted that many of these programs do not have academic progress requirements, and a student may continue to receive a waiver or an exemption despite not making satisfactory academic progress. What's more, she also suggested that there is a need to consolidate exemption and waiver programs in statute. Ms. Caldwell and Dr. Victoria Rodriguez, Vice Provost and Dean of Graduate Studies at The University of Texas at Austin both noted that waivers, especially waivers for assistantships and scholarships, allow institutions to compete for top quality graduate students.

B-on-Time

Dr. Arturo Alonzo, Deputy Commissioner for Business and Finance with the Texas Higher Education Coordinating Board provided testimony regarding the B-On-Time loan program. Dr. Alonzo noted that although the B-On-Time program is a good program in theory, it has not been funded adequately or consistently enough to ensure that students and institutions are aware of the benefits. For example, in FY 2009, the Texas Higher Education Coordinating Board did not issue any new loans because of questions related to funding. Dr. Alonzo also stated that inconsistent funding, along with potential student confusion concerning whether B-On-Time is a loan or a grant, may be contributing to fewer students than expected utilizing the program.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding financial aid to the 82nd Legislature:

01. The Legislature should fund fully TEXAS Grants and other state financial aid programs.
02. If the Legislature cannot fund TEXAS Grants fully, the Legislature should ensure that state aid dollars are awarded to the neediest students with a focus on those who are most likely to succeed academically.
03. The Legislature should add academic progress requirements to all exemptions and waivers.
04. The Legislature should consolidate all exemptions and waivers into one chapter of the Texas Education Code.
05. The Legislature should fund B-On-Time consistently.
06. The Legislature should amend the Texas Guaranteed Student Loan Corporation statute to authorize TG to participate in the Federal Direct Loan Program.
07. The Legislature should expand the Texas Work-Study program.
08. Until current financial aid programs are funded fully, the Legislature should not create any new financial aid programs, waivers, or exemptions.
09. The Texas Higher Education Coordinating Board should implement strategies to inform middle and high school students about relevant student financial aid programs.
10. Financial aid officers should be encouraged to inform students about state and federal student loan forgiveness programs.

Charge Two--Community Colleges

Review community college service areas to ensure that student needs are being met in the most effective and efficient manner. Study and make recommendations to improve the productivity and cost-effectiveness of the community college/university model for producing baccalaureate degrees, including identifying proven best practices; analyzing success rates of similar cohorts of students by comparing those who begin at community colleges with those who begin at four-year institutions; and analyzing transfer issues including dual admissions programs and academic advising services to facilitate a seamless transfer from two-year to four-year institutions. Include an assessment of the role of technical and vocational training programs and their impact on jobs.

Background/Legislation

Texas public community colleges are two-year institutions designed to serve their local taxing districts and service areas by offering vocational, technical, and academic courses for certification or associate's degrees. Texas public community colleges by philosophy, structure, and intent have an open-door policy, which states that anyone with a high school diploma or GED may enroll.

Community Colleges in Texas

The state charges community colleges with ensuring that a student, regardless of his or her incoming level of preparation, will meet accepted standards of performance for entering the workforce or transferring to a four-year institution upon completion of his or her study. Therefore, community colleges must provide developmental and compensatory education consistent with open-admission policies, along with continuing programs of counseling and guidance to assist students in achieving their educational goals (Education Code § 130.08).

Community colleges provide students with technical programs of up to two years leading to associate's degrees or certificates; vocational programs leading directly to employment; freshman and sophomore college courses; continuing adult education; and workforce development programs designed to meet the needs of the local marketplace (Education Code § 130.03). What's more, community colleges offer dual credit and articulated courses for high school students, allowing them to

complete their education more quickly and at lower or no cost. Community colleges may offer dual credit courses to high school students at no charge to promote affordability (Education Code § 130.08). In 2009 the Texas Legislature passed House Bill 2480, which allows a public two-year college to enter into an agreement with a school district, organization, or other person who operates a high school, to offer a course for joint high school and college credit, regardless of whether the high school is located within the service area of the college district. This arrangement is permissible only if the public two-year college in the service area is unable to provide the course to the satisfaction of the school district.

Over the last 45 years, Texas public two-year higher education has undergone substantial growth. In 1964 there were 34 public community/junior college districts. Today Texas has a variety of public two-year institutions, including 50 community college districts, three two-year campuses (Lamar State Colleges) in the Texas State University System, and a public technical college system (the Texas State Technical College System) with four campuses. Texas' 50 community college districts have 74 campuses throughout the state and cater to students taking both academic (for eventual transfer to four-year institution) and technical courses.

Between 2005 and 2010 enrollment at public two-year institutions grew by 33 percent, compared to 14 percent at four-year universities. In Fall, 2010, there were 1,464,081 students enrolled in Texas' public and private higher education institutions, including 757,899 (51.7 percent) enrolled in public two-year institutions. The Texas State Technical College System (TSTC) accounted for 22,363 (1.5 percent) of students enrolled in Texas' public and private higher education institutions in Fall, 2010.

The state established the Texas State Technical College (TSTC) in 1965 as the James Connally Technical Institute (JCTI) of Texas A&M University to meet the evolving workforce needs of the state. TSTC is the only state-supported technical college system in Texas.

Today TSTC offers a vocational and technical curriculum at four colleges: TSTC Harlingen; TSTC Marshall; TSTC Waco; and TSTC West Texas, which has campuses in Abilene, Breckenridge, Brownwood, and Sweetwater. In addition, TSTC offers programs and customized training at partnership centers throughout the state.

Funding for Community Colleges

Public community colleges receive money from a combination of sources: state appropriations, which fund operations; local tax dollars, which fund facilities; and tuition and fees. The governing board of each community college district levies ad valorem taxes to generate revenue for the funding of physical plant facilities, while the state funds the costs of education and administration. Additionally, boards can issue general obligation bonds, usually for construction or other physical plant improvements, if approved by district voters in an election.

The Texas Legislature established community college service areas in 1995 through Senate Bill 390, which allocated the majority of counties to 50 existing community college taxing districts. A service area is a territory that includes the district and territory outside the district in which the community college provides services (Education Code § 130). Because of Senate Bill 390, many of the state's community colleges serve areas of the state that are outside of their taxing district.

The state appropriates funds based on the number of hours that community colleges teach students, known as *contact hours*. A *contact hour* is defined as one student in a structured instructional environment under the supervision of a teacher/professor for one class hour. Under the state's current formula funding structure, the average cost of instruction in both academic and vocational programs is calculated on a statewide basis and is expressed in terms of a dollar amount per *contact hour*.

Each community college reports the contact hour cost of providing instruction in each of 17 academic and 39 technical areas. The median cost of each of these programs is used as the base for the formula rate recommendation by the Texas Higher Education Coordinating Board (THECB) to the legislature (Education Code § 61.059). In an effort to achieve equity, the *contact hour* formula is based on two significant academic dimensions: the wide cost differential among programs, such as the higher delivery cost of technical programs; and the varying amount of instructional time required for various students. The instructional formula funds appropriated to community colleges for the 2010/2011 biennium equal \$6.64 per *contact hour* for a total of \$1.72 billion.

Other sources of income vary greatly from community college to community college. Federal, state, and private grants are significant elements within community college budgets. Sales of training contracts, textbooks, food services, parking, student housing, and other goods and services are widely used to meet the needs of a district, and can be a significant portion of its budget.

Testimony

The Senate Higher Education Committee heard testimony regarding this change on June 24, 2010. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Rey Garcia, PhD, President, Texas Association of Community Colleges
- Martha Ellis, PhD, Associate Vice Chancellor Community College Partnerships, Office of Academic Affairs, University of Texas System
- Bill Holda, PhD, President, Kilgore College
- Stephen Kinslow, PhD, President, Austin Community College
- Glenda Barron, PhD, President, Temple College
- MacGregor Stephenson, PhD, Assistant Commissioner for Academic Affairs and Research, Texas Higher Education Coordinating Board
- James Nelson, PhD, Dean of Engineering and Computer Science, The University of Texas at Tyler
- Donetta Goodall, PhD, Vice Chancellor for Academic Affairs and Student Success, Lone Star College System
- David Fink, Student, Texas State University, San Marcos (former student of San Antonio College)
- David Gardner, PhD, Deputy Commissioner for Academic Planning and Policy, Texas Higher Education Coordinating Board
- Richard Jarvis, PhD, Provost and Vice-President of Academic Affairs, The University of Texas at El Paso
- Amanda Phillips, student, Lee College and University of Houston Clear Lake
- Daniel Holt, PhD, President, Blinn College
- David Payne, PhD, Provost and Vice-President of Academic Affairs, Sam Houston State University
- Joel Michaelis, EdD, President, Texas Community College Instructional Administrators
- Bonita Jacobs, PhD, Executive Director, National Institute for the Study of Transfer Students, University of North Texas
- Chandra Taylor Smith, PhD, Vice President of Research and Director, Pell Institute
- Juan Maldonado, PhD, President, Laredo Community College

- Valerie Osland Paton, PhD, Vice Provost for Planning and Assessment, Texas Tech University
- Martin Hubert, Deputy Comptroller, Texas Comptroller's Office
- Michael Bettersworth, Associate Vice Chancellor, Texas State Technical College
- Shirley Reed, EdD, President, South Texas College

Findings/Analysis

In 2000 the Texas Higher Education Coordinating Board (THECB) declared that *too few higher education programs were noted for excellence and too few higher education research efforts had reached their full potential* (Texas Higher Education Coordinating Board, *Closing the Gaps by 2015*, October, 2000). In response, the THECB set out to develop benchmarks and measures to assess progress toward closing the higher educational gaps in Texas as well as the gaps between Texas and other states in the areas of *student participation, student success, excellence, and research*.

Community Colleges and *Closing the Gaps*

THECB adopted goals for *Closing the Gaps* in October, 2000, with strong support from the state's educational, business, and political communities. A study by the Perryman Group, an economic research firm based in Waco, found that meeting those goals would add \$489 billion to the state's economy, \$194 billion in gross state product, and \$122 billion in personal income by 2030 (The Perryman Group, *An Assessment of Economic Development Programs and Prospects in the Lone Star State*, November, 2002).

Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board, testified that the role of community colleges in achieving the goals of *Closing the Gaps* is considerable. Community colleges are attractive to prospective students partly because the colleges are located throughout the state. Because of their close relationships with area businesses and industries, community colleges play a critical role in training and retraining the workforce.

Another reason community colleges are attractive to students is the colleges' relatively low tuition costs. Dr. Paredes testified that community colleges in Texas remain a bargain compared to those in the rest of the country. The average tuition and fees for a Texas community college is \$1,750 per year, with an average semester credit hour cost of \$62 for an in-district resident, compared to national average of \$2,793 per year, with an average semester credit hour cost of \$93.

Community Colleges and Student Participation

Dr. Paredes and Rey Garcia, PhD, President, Texas Association of Community Colleges, agreed that community colleges have made the biggest contribution to the state's improvement in *student participation*. Community colleges enroll more than half of the students in higher education in Texas. Enrollments at public two-

year institutions have increased 52 percent from 478,313 students in 2001 to 692,845 students in 2009.

Public two-year colleges more closely match the state demographics than their four-year counterparts. According to a 2007 survey, 48 percent of the Texas population are Anglo; 36 percent, Hispanic or Latino; 11 percent Black or African American; 2.7 percent, as Asian; and 2.3 percent, Other (Economic Modeling Specialists Inc., Texas State Data Center & Dr. Karl Eschbach, State Demographer, 2007). Dr. Garcia noted in his testimony that the community college enrollment rate is 39.3 percent, Hispanic; 23.9 percent, African American; and 7.4 percent, Other. Dr. Garcia and Dr. Paredes concurred that public two-year colleges are important entities in closing the gap for at-risk students, as 75 percent of minority freshmen and sophomores in Texas public higher education attend a community college.

Community Colleges and Student Success

Dr. Paredes and Dr. Garcia both noted that community colleges have made improvements in the area of *student success*. Dr. Paredes testified that awards (certificates and degrees) made at public two-year institutions have increased 59 percent from 40,444 in 2001 to 64,475 in 2009. Dr. Garcia testified that the total number of transfer students from community colleges to universities has increased 78 percent, from 19,123 in 2000 to 34,200 in 2009.

In spite of these improvements, the state needs to do better. Many citizens and prospective students view community colleges as the gateway to higher education.

David Gardner, PhD, Deputy Commissioner for Academic Planning and Policy, Texas Higher Education Coordinating Board, stated that only three of ten full-time community college students earn any credential after six years. Even fewer earn two-year degrees from two-year colleges: only 11 percent statewide, with an additional 5 percent earning professional certificates in vocations that range from nursing to welding.

Dr. Paredes testified that in order to sustain and grow Texas' economic base and safeguard the economic well-being of its citizenry; community colleges will have to educate even more students. A report by Georgetown University's Center on Education and the Workforce forecasts that by 2018, 63 percent of jobs will require at least some postsecondary education (Anthony P. Carnevale, et. al., *Help Wanted: Projecting Jobs and Education Requirements Through 2018*, Georgetown University Center on Education and the Workforce, June, 2010). The Comptroller estimates the economic impact of community and technical colleges on the total

state economy to be \$12.4 billion annually, taking into consideration out-of-state tuition, federal grants and contracts, and the increased earnings of all Texans with associate degrees (Texas Comptroller of Public Accounts, Texas Works: Training and Education for all Texans, December 18, 2008). Therefore, as community colleges continue to expand to serve the growing population of Texas, they also must ensure that students receive a high quality education with appropriately trained and credentialed faculty and the array of support services necessary for students to succeed.

Dr. Garcia and Martha Ellis, PhD, Associate Vice Chancellor Community College Partnerships, Office of Academic Affairs, The University of Texas System, suggested that statistics do not paint the full picture of success on campuses that have difficult and diverse missions and often educate ill-prepared students. Dr. Garcia and Dr. Ellis noted, for instance, that some students earn enough credits in community college to get a two-year degree, but then fail to file the paperwork to receive it, believing they will get a four-year degree later. They say the data tracked by the THECB do not account for the majority of community college students who enroll in less than a full load of classes. Richard Jarvis, PhD, Provost and Vice-President of Academic Affairs, The University of Texas at El Paso, testified that he thought traditional metrics, like graduation rates, do not measure adequately the success of transfer students.

Donetta Goodall, PhD, Vice Chancellor for Academic Affairs and Student Success, Lone Star College System, explained in detail that most historical data on college graduates focuses on the typical 18-22 year old, just out of high school, who is still claimed on his or her parents tax return, is still covered on his or her parents' health and car insurance, and is entering college for the first time. The reality, Dr. Goodall states, is that 29 is the average age of today's community college student. Approximately 85 percent of community college students balance studies with full-time or part-time work, 29 percent have annual household incomes less than \$20,000, and 30 percent of those who work full-time also attend classes full-time (12 or more credit hours). Minority students comprise 30 percent of community college enrollments nationally, with Hispanic students representing the fastest-growing racial/ethnic population.

Outcomes-Based Formula Funding

Dr. Paredes explained that the THECB recommendations for the 2012-13 biennium, which the Board adopted on April 29, 2010, suggest realigning state funding to recognize of the varied missions of community and technical colleges, while promoting a student success culture on these campuses. Dr. Paredes

explained briefly an outcome-based approach that uses momentum points, which are milestones of a student's progress toward completion or transfer. THECB staff, in consultation with a committee of stakeholders comprising community, technical, and state college faculty and administrators, will define the momentum points. Examples of momentum points currently being considered are achieving college readiness; completing a first-year college-level math course; completing 15 semester credit hours; completing 30 semester credit hours; earning a degree or certificate; and transferring to a four-year university. THECB recommends allocating 10 percent of the amount dedicated to the formula in the second year of the 2012-13 biennium, according to an outcomes-based approach that uses momentum points.

Dr. Garcia testified that during the 81st Legislative Session, the Community and Technical Colleges were funded at 49 percent of total educational cost. After the five percent reduction ordered by state leadership during the current biennium, the percentage of the total educational cost funded by the state declined even more. He said that carving-out 10 percent of this declining base funding and dedicating it to outcomes-based funding could be counterproductive. The outcomes-based formula funding begins with a formula designed originally to be a stable form of reimbursement for the delivery costs incurred by community colleges and corrupts the formula by inserting unstable factors not related to delivery costs.

Dr. Garcia explained that the THECB recommendation would place funding for momentum points into a pool for which community colleges would compete. Other states (such as Washington) have implemented a momentum points approach in which institutional success is measured by self improvement. If the THECB proposal were to be implemented, colleges would compete for this base funding, rather than focus on improving student achievement as measured at each institution.

Transferring from Community Colleges

In addition to the educational challenges community colleges face, there also are institutional and structural challenges to producing baccalaureate degrees, facilitating seamless transfers to four-year institutions, and ensuring proper academic advising. MacGregor Stephenson, PhD, Assistant Commissioner for Academic Affairs and Research, Texas Higher Education Coordinating Board, testified that creating a seamless transfer pathway between community colleges and universities is critical. Students who transfer do well and graduate. According to Dr. Stephenson, 78.3 percent of students who completed the core curriculum

prior to transferring in Fall, 2007, enrolled the following semester, and 51 percent of them earned a 3.0 GPA or higher their first year at a university.

James Nelson, PhD, Dean of Engineering and Computer Science, The University of Texas at Tyler, explained that courses with the same title and description should have the same content and rigor, no matter where they are taught, but that some four-year institutions question the rigor and content at community colleges. Dr. Goodall concurred that the lack of clarity and direction about educational goals and lack of complete advising often contributes to the loss of credit hours during the transfer process to a four-year institution.

Dr. Nelson explained that one way The University of Texas at Tyler works with area community colleges to align courses is to use outcome-driven associate's degrees. He explained that participating institutions agree to teach technical courses to achieve predetermined and agreed-upon learning outcomes and to assess achievement of those student-learning outcomes. According to Dr. Nelson, community colleges offer associate's degrees containing the prescribed body of knowledge, while The University of Texas at Tyler uses these degrees as the entry criterion for its baccalaureate program and publishes a "completion curriculum" to fulfill the needed body of knowledge. The result is that participating institutions agree to accept the courses as part of the degree plan, resulting in placing students on a path to timely completion of baccalaureate degrees.

This approach, however, takes tremendous collaboration. Dr. Richard Jarvis explained that The University of Texas at El Paso supports joint admissions and common student identification numbers, joint financial aid, and common degree audits with El Paso Community College. Dr. Jarvis pointed out because of their collaboration, sophomore students who transfer from El Paso Community College to The University of Texas at El Paso graduate at a higher rate with higher grade point averages (GPA) than their native students.

The University of Texas at El Paso also supports reverse transfer of credits to earn associate's degrees from El Paso Community College and uses a degree audit system to identify students who have earned credits for associate's degrees. This has resulted in a significant contribution to the number of degrees awarded by El Paso Community College, from 250 to 1,000 per year.

David Payne, PhD, Provost and Vice-President of Academic Affairs, Sam Houston State University, testified that more than 73 percent of Sam Houston State University students have transfer credit on their transcripts. This pattern is the

result of students' beginning their education at community colleges and Sam Houston State's focus on efforts to serve community college transfer students.

Dr. Payne claimed that the success of transfer students at Sam Houston State University is due to the Student Advising and Mentoring (SAM) Center, established in 2002, in part to address systematically the advising needs of community college students who were contemplating transferring to Sam Houston. Under the direction of Dr. Bill Fleming, all transfer students and more than 90 percent of all Sam Houston State students receive services through the center. These advisors are trained specifically to address the needs of transfer students. Their supervisors and the students they serve evaluate them regularly.

Dr. Payne testified that the National Academic Advising Association (NACADA) recognized the SAM Center as one of the outstanding advising centers in the United States. There were 2,097 transfer students admitted to Sam Houston State in the Summer and Fall of 2009, and although core completion data for these students will not be available for two years, data from 2007 indicates a 21.3 percent core completion rate.

Dr. Payne and Joel Michaelis, EdD, President, Texas Community College Instructional Administrators, testified about the benefits of time-compressed degrees. By combining dual admissions and dual credit, a student may overlap approximately two years of high school and university, taking classes at either his or her high school or community college. If the student is very capable and goal oriented, it is possible that he or she will complete the last two years of the high school diploma, an associate's degree, a baccalaureate degree, and a master's degree in five years. Students save not only time, but also money: there typically is a significant difference in tuition between community colleges and the more expensive four-year institutions.

Dr. Michaelis explained that many students fear the possibility of losing course credit when transferring from a community college to a university. Dual Admissions agreements are a method to ensure credits transfer and are a good way to mitigate students' fears. In a Dual Admissions agreement, a student enrolls at his or her community college and simultaneously at a university, thereby allowing him or her many of the same privileges as regular university students, such as a student email account, library/research access, tickets to sporting events, etc.

Dr. Payne testified that community college students, who intend to transfer to Sam Houston State, could be admitted to the university while still enrolled at the community college at a reduced application fee. This provides students the

opportunity to utilize programs and facilities offered by Sam Houston State. These advantages include a Sam Houston State ID card, computer and Internet accounts, library use privileges, student admission to sporting and cultural events, free electronic transcript evaluation, and access to online transcripts.

Best Practices

Chandra Taylor Smith, PhD, Vice President of Research & Director, Pell Institute, testified regarding a study by the Pell Institute titled, *Bridging the Gaps to Success: Promising Practices for Promoting Transfer Among Low-Income and First-Generation Students: An In-Depth Study of Six Exemplary Community Colleges in Texas*. Pell Institute researchers visited six community colleges in Texas that had higher than expected transfer rates based on student and institutional characteristics: Northeast Texas Community College, Mount Pleasant; Southwest Texas Community College, Uvalde; The Victoria College, Victoria; Laredo Community College, Laredo; Trinity Valley Community College, Athens; and Tarrant County Community College, Southeast Campus, Arlington. Dr. Smith testified that three common campus characteristics emerged: structured academic pathways, such as dual enrollment; student centered services, such as cohort-based models of structured curricula; and culturally sensitive leadership, such as outreach with community organizations and parents.

Dr. Smith's findings were congruent with the success stories shared by Dr. Payne and Dr. Nelson. Accordingly, Dr. Smith's recommendation to create a performance and accountability mechanism by which a college can exhibit and receive praise for its best practices seemed appropriate.

Juan Maldonado, PhD, President, Laredo Community College, testified regarding a best practice referred to as 2 + 2 transfer agreement, which is a contract between a community or junior college and a four-year university in which the student studies the first two years at the community or junior college, usually working toward an associate's degree, and completes junior and senior year studies at the four-year institution. These agreements assure optimization of the time, effort, and money spent by students, parents, and the state.

Dr. Maldonado explained that Laredo Community College and Texas A&M International University have academic 2 + 2 agreements. Texas A&M International University has developed a Bachelor of Applied Arts and Sciences degree that allows education students who would normally earn only Laredo Community College degrees to move on and earn bachelor's degrees. Laredo Community College and Texas A&M International University also have

collaborated in writing Title V federal grants that allow students who want to become education majors to move seamlessly to Texas A&M International University.

Technical and Workforce Training

A key component to Texas' network of the public two-year colleges is the Texas State Technical College System. Dr. Parades testified that technical and vocational certification programs will play a critical role in keeping Texas competitive in the global economy. *Closing the Gaps* always has included high-level certifications as one metric for *success*: The goal is to award 210,000 higher education credentials annually by 2015. Dr. Parades explained that a student's technical and vocational credentials can accelerate job prospects quickly.

Michael Betterworth, Associate Vice Chancellor, Texas State Technical College, testified that in today's job market, what to study might be more important than how to study. Simply having a college degree is not enough. Having the right degrees, or, more accurately, the right certifications and competencies, is what is most critical. Mr. Betterworth explained, CollegeGrad.com reports that 70 percent of 2009 U.S. college graduates did not have a job upon graduation, that 80 percent moved back home with their parents after graduation, and that neither the state nor students benefit from graduates who do not have the skills that employers need.

The Texas Comptroller's report, *TexasWorks*, indicates that the *number of jobs requiring technical training, certifications or associate degrees is outpacing the number of people available to fill them despite the fact that many pay above average salaries* (Texas Comptroller of Public Accounts, *Texas Works: Training and Education for all Texans*, December, 2008). Mr. Betterworth explained that the link between education and earnings is more complicated than the idea that the more education obtained, the higher the earning potential. Mr. Betterworth cited a study that found that 27 percent of workers with licenses and certificates earn more than employees with bachelor degrees. Likewise, 31 percent of those with associate's degrees earn more than their counterparts with bachelor degrees. In other words, *occupational choice is highly correlated to earnings, regardless of educational attainment levels* (Anthony P. Carnevale, et. al., *Help Wanted: Projecting Jobs and Education Requirements Through 2018*, Georgetown University Center on Education and the Workforce, June, 2010).

Martin Hubert, Deputy Comptroller, Texas Comptroller's Office, testified about the success of the Jobs and Education For Texans (JET) program created by House Bill 3 (2009) and House Bill 1935 (2009). JET Fund Grants may be awarded for

the following purposes: to develop, support, or expand programs of nonprofit organizations that prepare low-income students for careers in high-demand occupations (\$10 million); to defray the startup costs associated with the development of new career and technical education programs at public junior colleges and public technical institutes (\$10 million); and to provide scholarships for students in career and technical education programs (\$5 million). More than 3,400 students will train for high-demand occupations under the direction of JET-funded non-profit organizations; more than 2,000 students will receive JET scholarships to train for high-demand occupations at public community colleges and technical schools; and more than 8,000 students will receive training on JET-funded equipment.

Mr. Betterworth noted the Comptroller's Office and Texas Workforce Commission have been quick to align more closely the skills, knowledge, and the general learning of education with the competencies valued by employers by taking valuable steps to improve and increase access to technical education for Texans, such as establishing the JET fund. Mr. Betterworth also testified that the Comptroller's JET Fund has provided scholarships for students in every public two-year college in Texas and specifically has targeted high-demand occupations. One-hundred and seventy-one (171) Texas State Technical College students received scholarships, and the funds have supported student retention in the system's rapidly growing, high demand training programs, including Telecommunications, Electromechanical Technology, Chemical Technology, Heating and Air Conditioning, Health Care, Drafting and Design, Welding, Information Technology, Automotive, Engineering, Machining, Environmental Health and Safety, Industrial Engineering. Additional JET funds were used to support capacity-building in high performance computing at the system's Waco campus. Mr. Betterworth concluded that in the current economy, scholarship resources like the JET fund make it possible for dislocated workers and young trainees to prepare for meaningful and lucrative career paths, which is not only helpful to families, but also vital to the state's economic health.

Dr. Paredes did caution that while technical and vocational credentials can quickly accelerate job prospects for students, the state must ensure that all students have a strong academic foundation. He further explained that a worker will only be able to adapt and overcome career changes, particularly in tough economic times, if he or she has a set of academic skills. These skills will allow the worker to change jobs or return to school for new training or even an advanced degree.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding community colleges to the 82nd Legislature:

01. Institutions of higher education should have a logical process and a single institutional point of contact for transfer problem resolution.
02. The Texas Higher Education Coordinating Board should implement a statewide policy for reverse transfers between four-year and two-year higher education institutions.
03. The Texas Higher Education Coordinating Board should continue to facilitate comprehensive transfer agreements between two-year and four-year institutions.
04. The Texas Higher Education Coordinating Board should enforce acceptance of all core curriculum transfers between two-year and four-year institutions.
05. The Texas Higher Education Coordinating Board should work with higher education institutions to improve the existing Transfer 101 website by adding elements that are more essential for students (handbooks, college catalogs, transfer universities, course equivalency guides, FAQs, and support services).
06. The Texas Higher Education Coordinating Board should create a clearinghouse for research and proven best practices (strategies for increasing number of baccalaureate graduates).
07. The Texas Higher Education Coordinating Board should enhance the existing common course numbering system to make the transfer and transcription of credit from one institution to another simpler and more effective.
08. The Texas Legislature should continue to fund the Jobs and Education for Texans (JET) program.

Charge Three--Developmental Education

Study and make recommendations regarding improving developmental education, which costs the state over \$100 million per year, with a focus on enhancing student success in these courses.

Background/Legislation

Developmental education is a higher education program of courses that focus on helping students reach their full potential by correcting their academic weaknesses, thereby preparing them academically to succeed in higher-level courses. The precepts of developmental education are rooted in learning theory and developmental psychology. While developmental education often focuses on learners who are struggling, it is applicable to students at all levels of ability.

Defining Developmental Education

The field of developmental education supports the academic and personal growth of underprepared college students through instruction, counseling, advising, and tutoring. Consumers of developmental education are those traditional and non-traditional students whom institutions of higher education have assessed as needing to develop further their academic skills to be successful in college.

Advocates for developmental education point out that people learn in a wide variety of ways and that, with a little assistance, students often can achieve high levels of academic performance. Assistance can take a number of forms, including tutoring and coaching, special classes, homework help, counseling, and accommodations for test taking. Developmental educators try to avoid the term *remedial*, to avoid stigmatizing or humiliating students. By assisting students who may be struggling, developmental educators can give these students an opportunity to succeed, instead of allowing them to fall by the wayside.

Academic success is very important to developmental educators, as is demonstrable progress made by students enrolled in developmental education programs. An institution of higher education can use a variety of tools to determine how successful a student is, including test results, written papers, and interviews. Goals may be set for a student at an early stage, so that a frame of reference can be created for evaluating progress.

Texas Success Initiative

Students attending Texas public institutions of higher education must be in compliance with the Texas Success Initiative (TSI), as of Fall, 2003, to enroll in public institutions of higher education (Texas Education Code §51.3062). The law requires an entering college student to be assessed for college readiness in reading, mathematics, and writing, unless the student qualifies for an exemption. Each student who fails to meet the minimum passing standard of the exam offered by the institution must be placed in a developmental education program designed to help him or her achieve college readiness.

Assessment tools vary by institution. State law permits institutions to establish TSI thresholds above state standards. What follows is a short description of multiple assessment tests used by institutions to establish student readiness with the state approved cutoff scores in math, reading, and writing (Texas Administrative Code, Title 19, Chapter 4, Subchapter C).

Assessment of Skills for Successful Entry and Transfer (ASSET) is a series of three tests of basic skills in writing, reading, and numerical reasoning, developed by the American College Testing Program (ACT) to allow an institution to assess the educational needs and goals of students. Institutions do not use ASSET like a traditional test battery. ASSET scores indicate areas in which students are strong and those in which they may need help. Thus, ASSET can identify problems in major subject areas before they disrupt a student's educational progress, giving an institution the opportunity to prepare the student more effectively for needed courses. Passing scores are math, 38 of a possible 100, reading, 41 of 100, and writing, 40 of 100. The minimum passing standard for the written essay portion is a score of 6 of a possible 8. A student who scores 5 on an essay, however, will meet this standard if he or she meets the objective writing standards of the test.

Computer-Adaptive Placement Assessment and Support System (COMPASS) is an untimed, computerized test that helps institutions evaluate students' skills and place them in appropriate courses. COMPASS offers tests in reading, writing, math, essay writing, and English as a Second Language (ESL). The test results are available immediately upon completing the examination, along with a report that includes placement recommendations regarding what courses the student should take and how to register. Passing scores are math, 39 of a possible 100, reading, 81 of 100, and writing, combined scores of 59 of 100. The minimum passing standard for the essay portion is a score of 6 of a possible 8. A student who scores 5 on an essay, however, will meet this standard if he or she meets the objective writing standards of the test.

The Texas Higher Education Assessment Test (THEA) was approved by the Texas Higher Education Coordinating Board under Senate Bill 286 (2003) and is codified in Texas Education Code §51.3062. Since 1989 the THEA has been designed for use by Texas institutions of higher education as an assessment instrument to evaluate incoming students. The test provides the diagnostic data required by the legislation, and its content is the same as that of the former Texas Academic Skills Program (TASP) Test. The purpose of the THEA is to assess the reading, mathematics, and writing skills that entering freshman should have if they are to perform effectively in undergraduate certificate or degree programs in Texas public colleges or universities. The THEA exists in two formats. A paper-and-pencil test is offered five times a year at centers across Texas and the THEA Quick Test is the same as the THEA paper-and-pencil test, offered by many colleges, universities, and high schools on a schedule determined by the institution. Passing scores are math, 230 of a possible 300, reading, 230 of 300; and writing, 220 of 300. The minimum passing standard for the written essay portion is a score of 6 of 8. A student who scores 5 on an essay, however, will meet this standard if he or she meets the objective writing standards of the test.

ACCUPLACER is a suite of computer-adaptive placement tests developed by The College Board to assess reading, writing, and math skills. The College Board is a not-for-profit membership association composed of more than 5,700 schools, colleges, universities, and other educational organizations. The test is administered via computer and is adaptive, which means that the test questions chosen for the students are based on answers to previous questions. Passing scores are math, 63 of a possible 120, reading, 78 of 120, and writing, 80 of 120. The minimum passing standard for the essay portion is a score of 6 of 8. A student who scores 5 on an essay, however, will meet this standard if he or she meets the objective writing standards of the test.

Students may be exempt from the TSI exams by achieving any of the following requirements: composite ACT score of 23 or higher, with at least a 19 on both English and math sections; combined SAT verbal and Math score of 1,070 with a minimum of 500 on the verbal test and math test; or minimum score of 2,200 on the English or math sections, with at least a 3 on the writing component of the 11th grade TAKS (within three years from the date of testing); veterans and active duty personnel serving for at least three years preceding enrollment; transfer students from a private or independent institution or an accredited out-of-state institutions who have satisfactorily completed college-level coursework as determined by the receiving institution; or enrollment in a certificate program of one year or less

(Level-One certificates, 42 or fewer semester credit hours or the equivalent) at a public community college, a public technical institute, or a public state college.

Students who do not pass any part (English, mathematics, or writing) of a TSI exam must enroll in an appropriate developmental education course before they may enroll in a credit-bearing course for the subject in which the student did not meet state standards. A student may retake an exam at any time, subject to availability, to determine his or her readiness to perform freshman-level academic coursework.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on June 24, 2010. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Richard Rhodes, PhD, Chair, Texas Association of Community Colleges
- Michael Collins, Program Director, Jobs for the Future
- Judy Johnson, Chair, Access Division, Amarillo College
- Luzelma Canales, PhD, Interim Associate Dean of Community Engagement and Workforce Development, South Texas College
- Bryan Stewart, PhD, Vice President for Teaching and Learning, Tarrant County College
- Charles Cook, EdD, Vice Chancellor of Instruction, Houston Community Colleges
- Fred Newbury, EdD, President, Texas Community College Teachers Association
- Miles McCall, PhD, President, Lon Morris College
- Nellie Boyd, EdD, Executive Director of Student Success Services, Texas Southern University

Findings/Analysis

In Fall, 2000, 76 percent of higher education institutions in the United States offered at least one developmental education course in reading, writing, or mathematics, with 28 percent of entering freshmen enrolling in at least one of those courses (National Center for Education Statistics, *Remedial Education at Degree Granting Postsecondary Institutions in Fall 2000*, November 2003). Rising enrollment in higher education institutions, especially of traditionally underserved students, means the need for developmental education may be increasing.

Developmental education in Texas

Public two-year colleges are more likely than other types of institutions to provide developmental education. Public two-year colleges enrolled 42 percent of their entering freshmen in at least one developmental reading, writing, or mathematics course. What's more, they reported that students spent longer average periods in developmental education, compared to other types of institutions (National Center for Education Statistics, *Remedial Education at Degree Granting Postsecondary Institutions in Fall 2000*, November 2003). This is not surprising, given the traditional open enrollment of two-year institutions. They exist partly to identify and respond to the educational needs of adult learners within a specified service area.

Information provided by the Texas Higher Education Coordinating Board (THECB) indicates that 183,182 students attempted at least one credit hour of developmental education at Texas public higher education institutions in Fall, 2009, and 161,420 were at public two-year colleges. Given that public two-year college enrollments reached 692,845 students in Fall, 2009, this would suggest that nearly 1 in 4 students enrolled at a lower-division, two-year institution attempted at least one credit hour of developmental education.

In his testimony Richard Rhodes, PhD, Chair, TACC, provided an analysis of developmental education contact hours and formula funding. Dr. Rhodes pointed out that as a percentage of the total contact hours, developmental education contact hours have decreased each biennium from 12.4 percent in 2004-05 to 8.4 percent in 2010-11. Contact hours (CH) for developmental reading and writing have decreased 45.6 percent from 2004-05 to 2010-11 (12.82 million CHs to 6.97 million CHs). Contact hours for developmental math have decreased (16.15 million CHs to 14.76 million CHs). The Legislature appropriated less money for developmental education in 2010-11 (\$156.0 million) than in 2004-05 (\$166.3 million). This also would imply that the average direct cost per semester credit

hour of developmental education was higher at the general academic institutions and lower at community colleges. It also affirms similar findings identified by the Legislative Budget Board (Legislative Budget Board, *Higher Education Performance Review*, March, 2007).

Reductions in the need for developmental education

In his testimony, Raymund Paredes, PhD, Commissioner, THECB, offered a possible explanation for the improvement in developmental education contact hours. Dr. Paredes stated that students enrolling in colleges directly from high school are meeting Texas Success Initiative (TSI) standards at higher rates and therefore require little or no developmental education. Dr. Paredes added that students who completed a more rigorous high school curriculum met TSI standards at higher rates.

Michael Collins, Program Director, Jobs for the Future (JFF), in his testimony identified dual enrollment as a strategic component to reducing the need for developmental education. Texas is a national leader in developing policy supports for dual enrollment and early college. The state's investment in 2006 through HB 1, *relating to public school finance, property tax relief, public school accountability and programs, and related matters; making an appropriation*, facilitated collaborations between high schools with colleges, including college credit options for high school students and the establishment of 41 Early College High Schools across the state.

Dr. Paredes noted concern regarding those students returning to college as adults, who typically meet TSI standards at lower rates and require remediation at higher levels. Dr. Paredes explained in detail that of the 44,930 students who failed math TSI standards, only 19 percent attempt a college-level course in the subject, and only 13 percent complete the course. Of the 30,593 students who failed reading TSI standards, 51 percent attempt a college-level course in the subject, and only 36 percent complete the course. Of the 19,300 students who failed TSI writing standards, 41 percent attempt a college-level course in the subject, and only 29 percent complete the course.

Developmental Education vs. Adult Education

It is important to note that developmental education and adult education are two different programs, serving a different type of person, with different goals. Adult basic education programs are those that teach basic skills that allow adult students to participate more effectively in work and in society. These include programs such as the General Equivalency Diploma (GED), other high school diploma programs,

and pre-college English as a Second Language (ESL). Developmental education refers to a continuum of courses and services ranging from tutoring, advising, and supplemental coursework on college and university campuses, and is necessary for students who have a specific skill deficiency.

Charles Cook, EdD, Vice Chancellor of Instruction, Houston Community Colleges, stated that of approximately 10,000 new students who enroll in Houston Community Colleges for the first time each fall semester, approximately 22 percent will need some remediation in writing, 19 percent in reading, and almost 60 percent in math. Approximately one-third of these students are at such low levels of achievement that they will need major assistance that will require significant time and resources.

Dr. Cook stressed that many students belong in other programs instead of in developmental education, including Adult Basic Education, GED, lower levels of ESL, and/or classes for students with learning disabilities. Unfortunately, students often opt for developmental education because it affords them the opportunity for federal financial aid, while the others do not.

Miles McCall, PhD, President, Lon Morris College, testified that his college tries to accommodate the diverse need of developmental education students by categorizing students into two general groups. The first group consists of students with registered learning differences, which means they require more than traditional developmental education. Through the Cole Learning Enrichment Center, the college offers a strong program designed to recruit and support students with registered learning differences. The goal of the program is to help students with special needs transition into the traditional collegiate curriculum. More than 190 students enrolled in one or more developmental courses during Fall, 2009. Only 55 of those students had “registered” learning differences.

Dr. McCall testified that most of the remaining students (20 percent of the student body) comprise the second group that requires customary developmental education. The college places these students in traditional developmental courses to overcome any deficiencies in academic preparation and to prepare them to engage eventually in the traditional collegiate curriculum.

Student assessment

Accurate assessment, effective academic advising, and appropriate placement are critical components of successful developmental education programs (H.R. Boylan, *What works: Research-based best practices in developmental education*,

2002). Assessment is necessary in order to determine what student skills need to be developed. Advising is necessary to ensure that students know what assessment results mean and to help explain proper placement in specific courses.

Institutions of higher education test entering students to determine their readiness to do college-level work. These assessment instruments generate problems for developmental education students, because the tests vary considerably by college. The state allows for the use of four assessment tools. Testimony suggested that in addition to the four tests, colleges have instituted additional or different assessment instruments.

Dr. Charles Cook testified that the current use of testing in Texas does not serve the state well. For students in the 9th and 10th grades, Dr. Cook suggested the utilization of diagnostic instruments, such as ACT's COMPASS, instead of content-based tests, so that a determination and prescription might be made early regarding the status of the student's reading, writing, and math skills. When this happens, as in Houston Community Colleges' Early High School Program, it allows the college to work with students while they are still in high school and ensures that they are prepared for college-level work.

Modular Developmental Education

Dr. Bryan Stewart, Vice President for Teaching and Learning Services at Tarrant County College, testified that ACCUPLACER is insufficient for placing students into one of nine entry points in ModMath, a major new initiative that revised a 3-credit-hour developmental mathematics course and divided it into nine 1-hour classes. Dr. Stewart added that the TAKS, SAT, ACT and other similar tests, do not place students appropriately in developmental classes. To ensure accurate placement, thereby ensuring student success, Tarrant County College has supplemented placement procedure with My Math Test by Pearson Publishing.

Judy Johnson, Chair, Access Division, Amarillo College, testified that two instructors from Amarillo College developed a Math Flow Chart, beginning with whole numbers and moving through quadratic equations and into right-angle trigonometry. In other words, the chart was designed to cover all concepts taught in three levels of traditional developmental mathematics courses: Basic Math, Beginning Algebra, and Intermediate Algebra. For each section of the flow chart, they developed a detailed pre-test of 20-30 questions. Students begin each section with pre-tests so instructors can determine what pre-existing skills they have. After grading the pre-test, an instructor approves and initials each section in which the student showed proficiency.

The idea of the alternative testing method by Amarillo College and Tarrant County College is to get students to move more rapidly by focusing on deficient areas, rather than teaching those concepts they already know. The individual assessments offered by these two colleges give students the option of utilizing a content-specific module, thereby allowing them to enroll in fewer courses and complete the remediation process more quickly.

The data provided by the two colleges suggest that they are experiencing success under this module approach. Amarillo College provided preliminary data from its pilot. At the end of two semesters, of 112 students who completed the required number of hours for their Basic Academic Skills course and who took the ACCUPLACER Elementary Algebra Test at the end of the semester, 57 students (51 percent) became proficient in math for TSI purposes within one semester. In the traditional Beginning Algebra courses at Tarrant County College, the completion rate between Fall, 2008, and Spring, 2010, semesters was 42 percent. By comparison, the ModMath completion rate was 72 percent — a 30 percent point difference.

Inconsistencies among institutions

In contrast, a student enrolled in a traditional Beginning Algebra course at one of the many other institutions of higher education takes an entire 16 week course. Similarly, a student who struggles in a particular module may need to repeat the five-week course before mastering the material, as opposed to repeating an entire semester. Instances of repeating a course are more cost-efficient in the module approach, saving time and money.

One problem with assessment instruments is that thresholds used to place students in developmental education courses are not uniformly applied. This means that students with similarly measured skills may be directed to developmental courses at one college, while another college would allow them to enroll in college-level courses. Dr. Paredes pointed out that the THEA minimum scores in math, reading, and writing are 230, 230, and 220, respectively. At Alvin Community College, however, they are 270, 230, and 220. Likewise, the state minimum for the ASSET in Math is 38, but for students attending the Tarrant County College District, the minimum is 46. This inconsistent assignment of students to developmental education programs creates a significant, and potentially unnecessary, obstacle to success in college. Dr. Paredes testified that students requiring developmental education graduate at half the rate as other students, in part because developmental education carries significant financial and psychological costs to the students.

Generally, developmental courses count for institutional credit, enrolled hours, financial aid, and extracurricular requirements, but typically do not count toward graduation. As a result, students must pay regular tuition rates for these developmental, non-graduation credit courses, which add to the total price of a degree. While in developmental classes, students accumulate debt, spend time and money, and, in many cases, sacrifice financial aid eligibility, all the while not earning credits toward a degree. Even if no tuition is charged, students incur the opportunity cost of lost earnings. Dr. Paredes stated that in practical terms, taking developmental courses lengthens the time required to complete a degree, and factors that lengthen the time to degree tend to reduce the probability of degree completion.

Support services

A related challenge is the availability of support and wraparound services for students enrolled in developmental education courses. Dr. Charles Cook testified regarding the challenges that exist at many public two-year institutions. The student makeup of Houston Community Colleges is 28.8 percent, Hispanic, 26.7 percent, African American, 18.5 percent, Anglo, and 9.7 percent, Asian. Additionally, Houston Community College has the largest enrollment of international students (more than 6,600) of any community college in the country. The average age of Houston Community College students is 26, many of whom dropped out of high school, later earned a GED, and returned to school to upgrade their skills and continue their education after learning that they had insufficient knowledge and skills to obtain or hold a good-paying job.

For this reason, in 2004, Houston Community College was one of 27 colleges across the nation funded by the Lumina Foundation in an initiative titled, *Achieving the Dream* (ATD), with the intent of improving academic success for students, particularly minority and low-income students. Houston Community College received additional grants from the Gates Foundation, MDRC, Houston Endowment, and the Carnegie Foundation. Houston Community College utilized their grants to institute two major strategies that have produced positive results: Freshman Success Courses (FSC) and Learning Communities.

Dr. Cook testified that the vast majority of students attending Houston Community College do not initially have a clear understanding of the expectations of college or even the opportunities for career advancement that it could offer them. For these students, Houston Community College created a required first semester course titled, *College and Career Exploration*. The course introduces students to college

programs and services and emphasizes the kinds of skills they must develop regardless of their career choice, such as critical thinking, problem solving, time and stress management, teamwork, and decision-making. What's more, the course requires that they participate in career exploration activities, choose a major, and file a degree plan by the end of the semester. Over time the students who began by taking this course demonstrated a 20 percent or greater persistence rate after two years, compared to students who did not participate.

Houston Community College also implemented Learning Communities, the combining of two courses in which students co-enroll and in which the faculty not only collaborate in selecting a common theme and common learning activities, but also provide additional support. Dr. Cook explained that Houston Community College pairs a developmental education course with a college credit course. The learning communities help provide students with greater academic and social engagement, the major factors that research indicates are significant in maintaining student persistence. Learning Communities have resulted in significantly higher rates of student persistence, especially for African American and Hispanic students.

Nellie Boyd, EdD, Executive Director of Student Success Services, Texas Southern University, testified about the achievement of students enrolled in its Summer Academy. The Summer Academy, similar to the Houston Community College program, provides intensive instruction and mentoring for underprepared students. The Summer Academy offers small class sizes in developmental instruction for reading, writing, and math for underprepared students for college level coursework. The Summer Academy also offers counseling, peer mentoring, and Supplemental Instruction Master Tutors.

Dr. McCall explained that Lon Morris College, as one of only two, private two-year institutions in Texas, offers intense support to its students. To increase the success rate in developmental courses, Lon Morris College limits class size from 12 to 20 students, depending on the level of the developmental course. The college also places students who are in developmental courses into an early warning system designed to identify excessive absences, monitor grades, and review progress at mid-term. If the early warning system identifies a student as an under-achievement risk, the college assigns the student tutorial sessions with a staff tutor, requires the student to meet with an academic advisor for coaching in study habits, and/or schedules the student for computer-based, self-paced modules at the Cole Learning Enrichment Center. If a student has completed the appropriate documentation giving his or her parents access to attendance, grade, and

participation reports, the college also notifies the parents of the prescribed activity and the student's progress.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding developmental education to the 82nd Legislature:

01. The Texas Higher Education Coordinating Board should ensure a uniform placement-assessment policy dedicated to improving developmental education outcomes that target the specific needs of each student.
02. The Legislature should disaggregate developmental education courses from college-level courses and create formula funding rates to allocate state appropriations to developmental education courses more accurately.
03. Higher education institutions should distinguish and remediate Adult Basic Education students from Developmental Education students.
04. The Texas Higher Education Coordinating Board should develop statewide best practices that help students transition successfully through developmental education courses into college credit programs.
05. The Legislature should ensure that modularized shorter-term courses receive state funding, even if the courses do not meet minimum requirements of contact time to generate reimbursement revenue.
06. The Legislature should continue to focus, whenever possible, on the delivery of developmental education where the cost of delivery is lowest, such as at public two-year institutions.
07. Higher education institutions need to consider a more precise threshold for developmental education, with better initial diagnostic assessment of students' needs, and greater support for alternative paths to education and training thereafter.

Charge Four--Accountability

Study and make recommendations regarding the current accountability system and ways to measure student progress, faculty workload, and student advising; and to improve time-to-degree. Examine the quality of academic advising services to ensure that students are taking courses relevant to their degree program and are on path for graduation. Study and make recommendations to eliminate unnecessary or duplicative reporting requirements.

Background/Legislation

Texas' higher education accountability system is driven primarily by executive order and Texas Higher Education Coordinating Board (THECB) rules. There are no significant statutes governing Texas' accountability system. The Texas Education Code contains five articles related to institutional resumes, one article requiring research universities and emerging research universities to have strategic plans, one article creating the Educational Economic Policy group, and one article requiring the THECB to review institutional groupings.

Accountability System

The Texas accountability system was created in 2004 by Executive Order RP 31, *relating to accountability of higher education systems and institutions*.

Accordingly, the THECB, in collaboration with public institutions of higher education, established the Texas accountability system. This system is composed of institutional groupings and key and contextual measures.

Groupings

To create an accountability system that addresses the variety of institutional missions, the THECB and colleges and universities created groupings of institutions of similar types and missions, determined for each group appropriate measures that reflect institutional performance, determined benchmarks against which to measure success, and annually assess progress to improve performance. This allows the state's accountability system to compare similar higher education institutions with similar missions and similar student demographics.

In the state's accountability system, four-year institutions are categorized in five typologies, namely, research universities, emerging research universities, doctoral

universities, comprehensive universities, and master's universities. Two-year colleges, health related institutions, and Lamar State Colleges/Texas State Technical Colleges also have their own categories.

Research universities provide a wide variety of educational programs, including undergraduate, graduate, and professional education. Compared to institutions in other categories, these institutions place a greater emphasis on research, publication, and patents. As defined by the THECB, a research university offers a comprehensive range of excellent undergraduate and graduate programs, awards 100 or more doctoral degrees annually in excellent programs that span at least 15 disciplines, places significant emphasis on research and creative activities, and generates at least \$150 million annually in research expenditures. There currently are two Texas public universities that meet this definition, The University of Texas at Austin and Texas A&M University.

Emerging research universities also are research-intensive and provide high quality educational, scientific, engineering, business, and cultural programs. The THECB defines emerging research universities as having at least \$14 million in annual research expenditures, awarding at least 20 doctoral degrees per year, offering at least 10 doctoral programs, and enrolling at least 150 doctoral students. There are currently seven Texas public institutions that meet this definition: Texas Tech University, The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas at San Antonio, the University of Houston, and the University of North Texas.

Doctoral universities encourage faculty members to be active in their respective disciplines and conduct high quality graduate and undergraduate research in selected fields while maintaining focus on teaching and service. The THECB defines a doctoral university as awarding at least 10 doctoral degrees per year, offering at least five doctoral programs, and/or enrolling at least 150 doctoral students. Generally, these institutions spend at least \$2 million per year in research. The Texas public institutions that meet this definition are: Sam Houston State University, Texas A&M University-Commerce, Texas A&M University-Kingsville, Texas A&M University-Corpus Christi, Texas Southern University, Texas State University-San Marcos, and Texas Woman's University.

Comprehensive universities offer a variety of bachelor's programs and graduate level education through the master's degree. They may have as many as five doctoral programs designed to address local or regional needs, but these institutions focus primarily on undergraduate and master's level teaching and

service. Comprehensive universities are expected to provide access to a broad range of excellent baccalaureate and master's programs; possibly provide doctoral-level education in targeted areas of excellence; provide excellent preparation not only for the workforce; but also prepare students for professional and graduate level work; and focus on serving the student population within the region. Institutions that compose this group are Lamar University-Beaumont, Prairie View A&M University, Stephen F. Austin University, Tarleton State University, Texas A&M International University, The University of Texas-Pan American, and West Texas A&M University.

Master's universities focus on providing excellent undergraduate education as their primary mission. Master's institutions are expected to concentrate on providing excellent broad-based undergraduate education; establish seamless transfer and facilitate success for Associate of Arts and Associate of Science graduates; offer small undergraduate class size; provide excellent developmental education and retention programs; provide access to critical and other excellent master's programs; provide excellent preparation not only for the workforce, but also for professional schools and graduate education; have a critical role in preparing certified teachers; and provide specialized programs recognized for their excellence. Master's universities include Angelo State University, Midwestern State University, Sul Ross State University, Sul Ross University-Rio Grande, Texas A&M University-Central Texas, Texas A&M University-Galveston, Texas A&M University-San Antonio, Texas A&M University-Texarkana, The University of Texas at Brownsville, The University of Texas at Tyler, The University of Texas of the Permian Basin, the University of Houston-Clear Lake, the University of Houston-Downtown, the University of Houston-Victoria, and the University of North Texas at Dallas.

Key and Contextual Measures

Universities, regardless of their grouping, are held accountable according to two categories of measures, key measures and contextual measures. Key measures are participation, success, excellence, research, and institutional efficiency and effectiveness. The key measures are tied to Texas' Closing the Gaps initiative. Each of the key measures has a variety of specific measures designed to provide detailed information regarding institutional performance. These contextual measures help more fully explain the key measures such as participation or success. The relationship between the key measures and contextual measures can be analogized to an equation, with the key measures being the answer and the contextual measures being the variables. For example, if the equation were $a+b+c=x$, the contextual measures would be a, b, and c, while the key measure

(success, participation, etc...) is x. University accountability measures and definitions are available via <http://www.txhighereddata.org/interactive/accountability/MeasDef.cfm?InstType=Univ>.

Increasing participation in higher education is a primary goal of Texas' Closing the Gaps initiative. Key measures for participation are enrollment (unduplicated fall semester headcount) and full-time equivalent enrollment. (Fall semester credit hours include undergraduate, 15 hours; master's, 12 hours; doctoral, 9 hours; special professional, 12 hours; and optometry, 17 hours.) Contextual measures for participation help provide context for the key measures. For participation, contextual measures include first-time undergraduates in the Top Ten percent of their high school graduating class, first-time entering applicants who were accepted, first-time accepted applicants who enrolled, racial and ethnic composition of Texas public high school graduates, Texas two-year college transfers who completed at least 30 semester credit hours, and semester credit hours.

Success is another primary goal of Closing the Gaps, and data suggest that it is an area in which the state must improve. Key measures for success include four-, five-, and six-year graduation rates (limited to first-time, full-time entering, degree-seeking students in the fall semester), total degrees awarded, 6-year graduation and persistence rate (first-time, full-time students enrolled in at least 12 semester credit hours in the fall semester), degrees awarded in critical fields, degrees awarded in nursing, degrees awarded in allied health, and teacher production and certification (students taking and passing the certification exams for teacher education).

Contextual measures for success provide important context to student population data and elucidate the path to success. Contextual measures for success include enrollment of first-time undergraduates under 19 years of age; the percentage of students receiving Pell Grants; the percentage of part-time, first-time degree seeking undergraduates; one- and two-year persistence rate of first-time, degree seeking undergraduates; the number of students who complete a college-level course in math, reading, and writing in one year (for prepared students) or three years (for under-prepared students); underprepared students who satisfied TSI obligation within 2 years; percent of students who return the following fall semester; graduation of two-year college students who transferred; baccalaureate graduates completing at least 30 semester credit hours at a two-year institution; graduation rates of doctoral and master's students; baccalaureate graduate success; baccalaureate graduates' employment status; baccalaureate

graduates' enrollment status in graduate school; baccalaureate graduates' enrollment status employed and enrolled in graduate school; and course completion rate for undergraduates.

Excellence is the third key measure and also is a major component of Closing the Gaps. The key measures include faculty teaching (the percentage of lower division semester credit hours taught by tenured/tenure track faculty for fall semesters only), student/faculty ratio (full-time student equivalent divided by full-time equivalent faculty), state and national exam success (law, pharmacy, nursing, and engineering), and the percentage of full-time equivalent faculty who are tenure/tenure-track. Contextual measures for excellence include the percentage of all full time equivalent faculty with teaching responsibility who are tenured or tenure-track, faculty rank, faculty salary comparisons, endowed professorships and chairs, Nobel prize winners, and national academy award winners.

Increasing research in Texas is the fourth Closing the Gap component that is included in the state's accountability system. Key measures for research include federal and private research expenditures per full-time equivalent faculty, research expenditures (in millions), and federal and private sponsored research funds per revenue appropriations. Contextual measures include research expenditures by source (in millions), number of faculty holding extramural research grants, and the number of patents issued.

Institutional efficiency and effectiveness is a topic that has gained in importance due, in part, to budget constraints. The key measures for institutional efficiency and effectiveness include administrative cost as a percentage of operating budget, space usage efficiency, appropriated funds per full-time equivalent faculty and full-time equivalent student, historically underutilized business, operating expenses per full-time equivalent student, and total revenue per full-time equivalent student and full-time equivalent faculty. Contextual measures include class size, percentage of undergraduate classes with fewer than 20 students, percentage of undergraduate classes with more than 40 students, average cost of resident undergraduate tuition and fees for 30 semester credit hours, Education and General (E&G) square footage, true and term endowment (in millions), quasi-endowments, (in millions), total endowments (in millions), and total revenue.

Community colleges, because they serve a different population than four-year institutions, have different key measures, though the Closing the Gaps goals of participation, success, excellence, and institutional efficiency and effectiveness remain the same. Similar to the measures used in the university groupings, the

community college key and contextual measures are designed to provide measures that can be used to analyze institutional outcomes as well as the variables that influence the outcome. The measures and definitions for the community college grouping are available via:

<http://www.txhighereddata.org/interactive/accountability/MeasDef.cfm?InstType=CC>.

Health-related institutions and Texas State Technical Colleges/Lamar State Colleges also have key and contextual measures based on their specific student demographics and missions. Both groups of measures, however, remain tied to Closing the Gaps measures. The health related-institutions measures and definitions are available via

http://www.txhighereddata.org/interactive/accountability/HRI_OOSDef.pdf.

The TSTC/Lamar State Colleges measures and definitions are available via

<http://www.txhighereddata.org/interactive/accountability/MeasDef.cfm?InstType=LD>.

Student Success

Measuring student success is an area of research that became increasingly popular over the previous decade. Much of the work related to measuring student success utilizes a qualitative research design, including survey and interview data. Other models of measuring student success involve more quantitative methodologies and may involve statistical analysis of a university's incoming student demographics to predict student success. There are benefits and drawbacks to using either approach.

The Voluntary System of Accountability (VSA) is one method by which some institutions measure student success. The VSA is a national voluntary initiative designed to create greater accountability. It facilitates the collection of student and family data, student experiences, and learning outcomes to create an institutional profile containing relevant information. The data then are used by the institution to report findings to students and parents or to improve institutional behavior designed to increase student outputs and enhance experiences.

Another method by which institutions collect information about student behavior is through the National Survey of Student Engagement (NSSEE). Conducted annually, the survey collects information about student participation and experience in various programs and activities at four-year colleges and universities. The results provide insight into how undergraduates spend their time and what they gain from attending college. Colleges and universities receive a copy of the report concerning the behavior of their students and how certain behaviors may be

associated with certain outcomes at their institutions. A similar survey, the Community College Survey of Student Engagement (CCSSE) is conducted to examine the behavior of community college students.

An increasingly popular approach to measuring student success is via a predictive model. This approach focuses on quantitative statistical measures and considers higher education a "throughput" by which institutions add a measurable value to individuals. The typical methodology utilized in a predictive model involves analyzing an institution's incoming student demographics and predicting how many of the students will graduate in four, five, or six years. Once that cohort has gone through the educational process, the predicted number of graduates is measured against the actual number of graduates to determine what, if any, value was added by the institution. Because this approach provides concrete numbers to parents, students, and policymakers, and because statistical modeling is becoming increasingly reliable, using a predictive model as a part of an accountability system is increasingly common. This approach, however, should be supplemented with other methodologies to provide an accurate analysis of student success.

Academic Advising

One of the important pieces of the higher education experience that many accountability systems, including Texas' accountability system, do not address is academic advising. There is no significant law related to academic advising. The decision of when and how to advise students is left largely to institutional policy and can even vary within each institution. For example, some institutions may use faculty members as one-on-one advisors for undergraduate students, while others may have professional advisors for undergraduates. Even within one institution, advising may vary by department, meaning that an English major will be advised differently than an engineering major. What's more, undergraduate advising often is very different from graduate advising, with the latter often being conducted by the student's major professor.

Faculty Work

The topic of faculty work, how it should be measured, by whom, and for what purpose has gained increased attention in recent years. Faculty work is a very complex topic. To measure it adequately, various interests must agree on what constitutes faculty work, within what academic departments, at what institution type, and what to do with the data collected.

Faculty work generally consists of some combination of teaching, research, and service. The emphasis that a faculty member should place on any of the three

varies by institution type and area of study. For example, a faculty member housed in a biology department at a major research university can, and should, have a different workload than a community college faculty member teaching English.

Some may only consider teaching, and specifically undergraduate teaching, when thinking about faculty workload. Even teaching, however, is a very complex topic. Teaching may encompass undergraduate or graduate student teaching, in a single student independent reading course or 400-student lecture, with the pedagogical style of the faculty member varying by person or course.

Research is another very difficult concept to define, yet is central to the tenure and promotion process at many universities. When many people think of university research, their first thought may be a biology faculty member, standing alone behind a lab table, looking through a microscope. This picture is not necessarily complete. Faculty research is conducted in all academic departments, from history and women's studies to microbiology and public administration. Many research projects increasingly are focused on or conducted by large groups of researchers, which is contrary to the traditional notion of a solitary researcher working on a single topic during the course of his or her career. Research funding may come from a variety of sources, including the federal government, state government, private industry, or the university. What's more, researchers may conduct basic or applied research, further complicating the debate about measuring economic returns on university research. Regardless, the definition of research, how it should be measured, and for what purposes, remain hotly debated and difficult to answer questions.

Service and how to measure it also are very complex topics, as service is a concept that is very fluid and open to interpretation. Many faculty members serve their universities and communities by participating in shared governance, chairing committees, or lecturing to the public. Others may serve by teaching cutting edge research to members of the public, which especially is popular in agriculture extensions, or by general volunteer work.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on July 22, 2010. The hearing included invited testimony from the following persons:

- David Gardner, PhD, Deputy Commissioner, Academic Planning and Policy, Texas Higher Education Coordinating Board
- Sandra K. Woodley, DBA, Vice Chancellor for Strategic Initiatives, The University of Texas System
- Jeremy Thomas, President, Texas Academic Advising Network and Director, Admissions and Enrollment Services, Angelina College
- Valerie Paton, PhD, Vice Provost for Planning and Assessment and Director of Texas Tech University Strategic Planning
- Kevin Lemoine, PhD, Deputy Assistant Commissioner, Academic Affairs and Research, Texas Higher Education Coordinating Board
- Diana Natalicio, PhD, President, The University of Texas at El Paso
- Frank Ashley, EdD, Vice Chancellor for Academic Affairs, Texas A&M University System
- Peter Hugill, PhD, President, Local Chapter, American Association of University Professors, and Professor, Geography, Texas A&M University
- Danita L. McAnally, Dean of Academic Assessment and Development, Amarillo College
- Simon Bott, PhD, Instructional Professor and Academic Chair, University of Houston
- Bill Fleming, PhD, Executive Director of SAM Center and Professor, Department of English, Sam Houston State University
- Monica Saunders, Undergraduate student, University of North Texas
- Susan Brown, Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board
- Joe Meyer, Director, Office of Institutional Research, Texas State University

Findings/Analysis

Accountability systems, student success, academic advising, and faculty workload are important topics addressed in Charge Four. Testimony provided insight into how the Texas Legislature may improve student success by addressing one or more of these issues.

Accountability System

Dr. David Gardner, THECB, noted that Texas' use of a comprehensive higher education accountability system is seen as a national best practice. The system is considered a best practice because it aligns data with state goals, uses multiple measures, and accounts for institutional mission. Dr. Gardner also noted that the state's accountability system, unlike data systems used in the Legislative Appropriations Requests (LAR) or for the federal government, take into account all graduates, including those who move across institutions.

This accountability system has helped inform Texas policymakers. Findings underscored during the hearing include the following: In Texas 97 percent of college freshmen are under 19 years old, 55 percent of students who transfer to a university with at least 30 semester credit hours completed at a community college graduated within four years, 35 percent of baccalaureate graduates started at a community college and completed at least 30 semester credit hours there, and, a student who spends more than five years in higher education is unlikely to be graduated. These, and similar data, help to inform state and institutional higher education policies.

Witnesses also addressed the use of the data in the accountability system. Equally important as the collection of the data, is how they are used by the state and by institutions. Dr. Gardner noted that it is important for institutions to be grouped with similar institutions to ensure that these institutions can share best practices for their specific missions or student demographics. This facilitates institutional representatives meeting several times per year to determine what policies or procedures allow some universities to do better than others, while all have the same mission or student type. Dr. Gardner also said that the THECB has not done enough to ensure that the public is aware of, and can access, the accountability data.

He noted that while the THECB collects a significant amount of student level data, there is a key piece of data missing. He requested that the Legislature fund access to the National Student Clearinghouse dataset. This dataset, according to Dr.

Gardner, would allow the THECB to track students who leave the state to attend college. The cost of these data is estimated to be \$250,000 for the first two years and \$80,000 per year thereafter.

Additionally, the Texas accountability system does not collect data from for-profit colleges and universities that operate in Texas. Despite not participating in the accountability system, the participation and success of students enrolled in these institutions are counted for Closing the Gaps and the state. Recent news stories, federal reports, and investigations suggest that more should be done to ensure that students who are considering attending some of these institutions be provided with the best information possible prior to enrollment. What's more, policymakers also should be informed about the participation, success, effectiveness, and efficiency of all degree-granting institutions that operate in the state.

Student Success and Academic Advising

Nearly every witness emphasized the importance of tying the data and accountability system to continual institutional improvement to maximize student success. According to the witnesses, Texas does an excellent job of collecting significant amounts of student-level data. The state and institutions should use these data to evaluate and improve institutional performance, especially with regard to student success.

One of the primary ways to enhance student success is to ensure that each student has access to excellent academic advising. Ideally, students also should have access to degree audits and degree plans to allow them to stay on track to be graduated on time. Academic advisors, whether professional advisors or faculty advisors, help students navigate the often confusing array of courses, majors, changes in courses or majors, and institutional deadlines. When advising goes well, a student can move seamlessly through higher education. When it goes poorly, a student, though blameless, may have to delay graduation. This often results in the student owing a full semester's worth of tuition and fees, which may come out of his or her own pocket.

Jeremy Thomas, Texas Academic Advising Network, provided testimony about the current state of academic advising in Texas. Mr. Thomas noted that accountability studies currently are lacking in academic advising. What's more, according to a 1998 National Academic Advising Handbook study, only 29 percent of institutions nationwide evaluate academic advising. Academic advising is not subject to the state's accountability system, and, therefore, little statewide information is available about important aspects of advising, including advisor-to-advisee ratio,

the number of times a student visits an advisor, how advising is conducted (*e.g.*, over the phone, on-line, or in person), or how many times students are not graduated due to inaccurate advising. For example, according to Mr. Thomas, the standard advisor to advisee ratio is 300:1. It would be important for institutions and the state to know how various Texas institutions measure against this standard. What's more, it also would be important for institutions to share relevant best practices about academic advising, including, professional development and training activities, so that institutions can learn how similar colleges and universities are successful in ensuring students can navigate higher education.

There was significant discussion about how to measure student progress with the ultimate goal of doing so to improve students' time to degree. Student progress generally is measured in Fall-to-Fall retention, graduation and persistence rates, graduation rates of transfer students, or similar output measures.

Despite these generalities to measuring student progress, there is some debate about how progress should be measured. The traditional measure of student success is graduation, and institutional progress on the issue traditionally is measured through 4- or 6-year graduation rates. According to Dr. Diana Natalicio, President, The University of Texas at El Paso, this is a flawed metric, and it ignores many of the students who are attending Texas colleges and universities. When graduation rates are calculated, the figure only counts full-time, first-time, degree-seeking students who enroll during the Fall semester. Not counted in the measurement are transfer students, part-time students, returning students, or those who enroll in the Spring semester. Thus, according to Dr. Natalicio, graduation rates understate the success of universities, reinforce an outdated profile of students, and ignore large numbers of students. In light of these criticisms, instead of relying on graduation rates, Dr. Natalicio believes that the state should concentrate on total number of graduates produced by an institution.

Programs are being designed to increase student success in the adult population. The THECB is investigating the feasibility of implementing a statewide degree audit system to help adult students who have already taken a significant number of college credits be graduated from college. As stated by one witness, the system would help students make informed decisions about the courses they need to complete a degree and offer a roadmap between what courses the student has completed, course offerings at Texas institutions, and what they need to take to be graduated with a specific degree.

Student learning, on the other hand, is much more difficult to measure and involves measuring the change in student growth and development. Student progress can be measured using various milestones as goals. Examples include graduation, passing a college math course, etc. Measuring student learning, however, focuses on what students learn, how they learn, and is used to recommend pedagogical improvements to maximize learning. This learning can take place inside or outside the classroom, and various studies have examined different types and methods of learning.

Increasingly, researchers are focusing on attempting to measure student learning and an institution's impact on that learning, whether through human development, economic, or other theoretical approaches. Several programs and procedures attempt to measure student learning or student engagement. Some of the most popular include the National Survey of Student Engagement (NSSE), the Collegiate Learning Assessment (CLA), embedded assessment in required courses, capstone courses, senior surveys, and alumni and employer surveys. Most of these assessments are national- or institution-based. These approaches are based largely in human development theory and rely significantly on qualitative research.

More recent approaches utilize economic theory to measure student learning and, specifically, the value that a higher education institution adds to a student. The THECB proposed that one manner to measure the value added by a student's experience in a specific university would be to utilize a predictive model of student success. This approach would predict what an institution's graduation rate should be based upon entering students' demographic characteristics and then to compare this predicted number with the actual graduation rates to determine what value was added by the institution. If the institution's predicted graduation rate was significantly lower than the actual graduation rate, the model would suggest the institution added value to the students, thus graduating more students than expected. Dr. Valerie Paton, Texas Tech University System, criticized this approach as wrongly applying an economic theory to human development. She believes that this model treats students as widgets, students do not develop along a singular track, and this predictive model approach overly simplifies a very complex process. What's more, there is some discussion whether this approach adequately can measure student learning because it is limited to mathematical formulas based on a cohort's demographics.

Faculty Workload

Measuring faculty workload is an equally complex topic. Three witnesses testified that faculty work is very difficult to measure and would be made even more

difficult if such measurement were to occur regardless of institutional mission. Dr. Peter Hugill, Texas A&M University and American Association of University Professors; Dr. Frank Ashley, Texas A&M University; and Danita L. McAnally, Amarillo College, provided testimony regarding how they believe faculty work should be measured and by whom.

Aside from the variation that occurs between institutions, Dr. Ashley noted that faculty workload is determined by college, department, and program expectations for faculty. Some departments may require that a faculty member concentrate more on research than teaching, while others may require a faculty member to do the opposite, and another may require significant public service. The Texas A&M University System recently released the results of a study concerning economic measurements of faculty workload. Generally, the report attempted to determine the cost of individual faculty members (salary plus benefits), compared to the revenue generated by these faculty members (through formula funding, tuition funding, contract/grant funds generated) for a single year. According to Dr. Ashley, this report found every college in every Texas A&M institution was operating in the black, and only a few individual departments were operating in the red. Dr. Ashley also noted that this report is just a single snapshot for one year and that it does not address work conducted outside of the classroom, including advising, mentoring, or public service. What's more, Dr. Ashley said that it may be difficult to recruit and retain faculty with a stringent, system-wide program designed to manage faculty workload.

Dr. Hugill and Ms. McAnally provided additional testimony related to the complexity of measuring faculty workload. Dr. Hugill stated that, for the most part, the tenure and promotion process is determined by receiving competitive grants, publishing results in peer reviewed journals, and teaching graduate and/or undergraduate students. He also noted that it is very difficult to place a monetary value on academic research, either because the research is esoteric and may not have a financial value or because the research is ahead of its time. For these reasons, it would be extremely difficult, according to Dr. Hugill, for an outside party to attempt to determine an economic value to academic research. What's more, there is a significant difference between advising an undergraduate student versus a graduate student, with the latter being much more time intensive and requiring significant faculty time.

Ms. McAnally testified from the community college perspective. Like other witnesses, she noted the difficulties that would occur if the issue of faculty workload and workload management were to become state issues. Specifically, she

stated that when considering faculty work, one must take into consideration the fact that different faculty use different pedagogical techniques, some of which may be more time consuming than others. What's more, she stated that, even at community colleges, more faculty members are taking time away from teaching to focus on seeking grants. This change in behavior, according to Ms. McAnally, is due to the drop in state appropriations for community colleges, leading faculty members to seek grants to offset the drop in state funding. As community colleges continue to grow in enrollment and state dollars continue to fail to keep up with operating costs, this behavior likely will increase, with increasing numbers of community college faculty members applying for grants instead of teaching undergraduate students.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding accountability to the 82nd Legislature:

01. For-profit institutions that offer an associate's degree or higher should be brought into the state's accountability system.
02. Academic advising should be brought into the state's accountability system.
03. The Texas Higher Education Coordinating Board should ensure that the state's accountability system is accessible to institutions, policymakers, and families.
04. Higher education institutions, and not state policymakers, are in the best position to determine how to measure and reward faculty workload.
05. Higher education institutions should utilize the state's accountability system, and other similar systems, to improve institutional behavior consistently.
06. A predictive model for institutional value added should utilize non-economic approaches to student development.
07. All students, including dual credit students, should receive academic advising every semester, whether face-to-face, on-line, or via the telephone.
08. Higher education institutions should encourage undergraduate students to file a degree plan before the end of their third semester in college.
09. Higher education institutions should ensure that all students have access to a degree audit that allows students to determine what courses they need to take to graduate timely.
10. If an academic advisor provides a student incorrect advice and causes a student to miss timely graduation, the higher education institution should waive the student's tuition and fees for the following semester to preclude punishing the student for relying on incorrect advising.
11. Higher education institutions should ensure that all advisors, professional and faculty, receive continuous professional development.

Charge Five--Cost Drivers

Examine cost drivers in higher education. Recommend opportunities for achieving cost efficiencies, including reporting requirements, three-year degree programs, and community college baccalaureate degree programs. Study and make recommendations regarding more effective means of using technology, including digital textbooks and online degree programs, to improve access, enhance quality, and reduce the cost of higher education while preserving excellence.

Background/Legislation

Over the last several years there has been an increased focus on the rising costs of higher education. Additionally, colleges, universities, and state governments have focused on increasing cost efficiencies. General discussion about costs focuses on costs to students, to higher education institutions, and to the state.

Costs to Students

Higher education costs to students are increasing for several reasons. The primary driver of higher costs is cost shifting, which means that as higher education institutions receive proportionally less funding from state appropriations, the institutions shift costs to students via higher tuition. In essence, the less funding an institution receives from the state, the higher tuition it must charge, resulting in cost shifting from the state to the student. This cost shift to the student is exacerbated by the fact that when tuition increases, student financial aid, especially grant aid, is less likely to meet a student's full cost of education. Thus, the student will be required to take out student loans or forgo higher education. Additionally, institutions can require that freshmen reside on campus, purchase meal plans, and pay university fees, thereby further increasing costs to students.

Costs to Institutions

Costs to higher education institutions primarily are related to personnel, mission, state and federal requirements, and infrastructure. Generally, higher education institutions are labor intensive, with significant costs driven by salaries or benefits. As more students enroll in Science, Technology, Engineering, and Mathematics (STEM) fields, business courses, or professional programs, institutions must pay the higher salaries required by faculty in these fields. What's more, high quality academic researchers, including those who would help institutions achieve national

research university status, command high salaries. Institutions also must incur costs for research labs, graduate students, and other necessities that are tied to high quality research and national research universities. State and federal requirements, primarily related to reports, exemptions, and waivers also increase costs to institutions. Many reporting requirements are duplicative or unnecessary. Exemptions and waivers, which benefit certain groups of eligible persons, require that colleges and universities forgo significant revenue from tuition and fees, often without regard for institutional mission or need.

Costs to the State

Costs to the state include formula funding and financial aid and often are interlocked with costs to the institutions and students. The primary cost of higher education to the state is formula funding. Formula funding represents a state subsidy to higher education and is designed to ensure that costs to students remain low while quality of education remains high. What's more, formula funding reflects a public policy supporting post-secondary education. Additionally, the state provides funding to students in the form of state financial aid programs. While Texas' student financial aid programs are dwarfed by federal aid, the state's programs provide a significant benefit to students, especially low-income students.

Of the many national studies of costs in higher education, one of the most trusted is the Delta Cost Project's *Trends in College Spending*. This report provides a 10-year national overview of costs and spending regarding higher education. One of the national trends noted in the report is that traditional public and private four-year institutions continue to enroll a majority of students, but public community colleges added the most students between 1998-2008. What's more, there have been substantial enrollment increases at private, for-profit institutions. Because of significant interstate variation in how colleges and universities are funded and for what purpose, it is more appropriate to utilize state studies for specific policy concerns and relevant data.

The Delta Cost Study also analyzed revenue and spending patterns in Texas. The report states that, between 2003 and 2008, net tuition increased across public research, public master's, public bachelor's, and community college institutions. The rise in cost is especially relevant to Texas' families because Texas' average household income is lower than the national average. This means that a higher percentage of a family's income is required to pay for higher education. Directly related to the rising tuition, the average subsidy provided to each of these institution types fell. The relationship between lower subsidy and higher tuition is a direct reflection of institutions' shifting costs from the state to students.

Cost Efficiency

As a result of higher costs borne by Texas' families, the state directed the Texas Higher Education Coordinating Board (THECB) to conduct a cost efficiency study and make recommendations for ways to reduce costs without impacting educational quality. RP 73, *relating to a comprehensive review of higher education cost-efficiencies*, is the origin of the THECB's cost efficiency study. Texas Education Code 61.0664 also requires that the THECB conduct a study of achievable cost measures. Texas Education Code 61.0665 directs the THECB also to study the use and availability of electronic textbooks.

The THECB's cost efficiencies study provides significant recommendations designed to control higher education costs. The THECB believes that by funding higher education institutions according to performance, institutions will be incentivized to graduate more students per state dollar, thus potentially increasing efficiency. The THECB recommends that 10 percent of four-year institutions' funding formula be withheld and allocated based on various student outcomes (including STEM graduates, graduation rates, degrees awarded, and according to a predictive model of student outcomes). What's more, the THECB recommends the state continue the Performance Incentive Funding Initiative.

To create clear pathways for successful student outcomes, the THECB also makes recommendations to alter institutional behavior. The Board recommends that the state mandate statewide articulation agreements, require at least 10 percent of all credit hours to be completed in ways not requiring on-campus instruction, improve faculty productivity (defined as teaching) by 10 percent, and require each student to have a degree plan by the time he or she completes 42 semester credit hours. The THECB believes that these policies will save the state and students money, increase student success, and create pathways between K-12, two-year institutions, and graduation with a bachelor's degree.

Community Colleges Offering Baccalaureate Degrees

In an effort to lower costs to the state, enhance access to higher education, and help meet the needs of local industry, the state established a program allowing several community colleges to offer baccalaureate degrees. In 2003, as a result of Senate Bill 286, three community colleges were chosen by the THECB to be allowed to offer bachelor's degrees. These colleges are Brazosport College, Midland College, and South Texas College, which has a campus in Starr County. Over the next several years, these colleges received approval from the THECB to offer a Bachelor of Applied Technology in Technology Management (BAT), subject to

the institutions being accredited by the Southern Association of Colleges and Schools (SACS). Additionally, South Texas College was authorized to offer a Bachelor of Applied Technology in Computer and Information Technology.

The three institutions that are allowed to offer the BAT incurred considerable expense in ensuring that they would be accredited by SACS, including increasing library resources, hiring additional faculty, and meeting all requirements necessary to be an institution that offered a bachelor's degree. The primary argument supporting these institutions in this endeavor was that they were meeting local industry demand in these fields and that four-year institutions were unable or unwilling to offer the BAT degree. The community colleges noted that they were in the best position to meet local industry work-force demands and could do so at a lower cost to students.

Three-year Degree Program

A unique way that one Texas institution is seeking to lower costs to students is through the three-year bachelor's degree program. The University of Houston-Victoria is authorized to offer a three-year degree. The first cohort of students began in Fall, 2010, so it is too early to collect significant data regarding student success results or cost savings from the program.

Textbooks

Textbook cost is an issue that has received increased attention, especially concerning the development of electronic, digital, or rental textbooks. Some colleges and universities in Texas are utilizing textbook rental programs that allow students to rent books more cheaply than they could purchase new books. The primary downsides are that students have to return the books at the end of the semester, and any markings or notes made by previous owners remain when the book is rented the following semester. New technology, driven primarily by open-source systems may provide the impetus for institutions to move away from traditional publisher based textbook sales and toward a cheaper, more efficient model.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on September 23, 2010. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Jim Brunjes, Vice Chancellor and Chief Financial Officer, Texas Tech University System
- Carl Carlucci, PhD, Executive Vice Chancellor for Administration and Finance, University of Houston System
- Johnette McKown, EdD, President, McLennan Community College
- Fred Heldenfels, Chair, Texas Higher Education Coordinating Board
- Harrison Keller, PhD, Vice Provost for Higher Education Policy, The University of Texas at Austin
- Wright Lassiter, EdD, Chancellor, Dallas County Community College District
- Don Noel Smith, PhD, President, University of Houston-Victoria
- Millicent Valek, PhD, President, Brazosport College
- Cheryl Sparks, EdD, President, Howard Junior College
- C. Sidney Burrus, William and Stephanie Sick Dean of Engineering (Interim), Maxfield and Oshman Professor Emeritus, Rice University
- Melanie Ferrari, Student Body President, Texas State University
- Celia Williamson, PhD, Deputy Provost and Dean of Undergraduate Studies, University of North Texas

Findings/Analysis

There was significant testimony concerning cost drivers, cost efficiencies, and recommendations to address these issues. This testimony helped to put the issue of college costs into focus and provided the Senate Higher Education Committee members with ways to mitigate costs while maintaining excellence.

Overview of Cost Drivers

Dr. Raymund Paredes, Texas Higher Education Commissioner, provided an overview of cost drivers. He believes that the current funding model for higher education is unsustainable and that the state is not getting enough in return for its investment in higher education. He noted that the United States spends more per student on higher education than other industrialized nations, yet ranks 10th or lower in producing college graduates. What's more, students are expected to take on a larger share of education costs, which disproportionately impacts Texas students because the average income of Texas families is lower than the national average. Also problematic for Texas families is that Texas students pay a higher percentage of higher education costs than the national average. Texas students pay 58 percent of costs, compared to the national average of 51 percent. Essentially, Texas has changed from being a low tuition/low aid state to a medium tuition/low aid state. These issues are complicated further by volatile and decreasing state expenditures for higher education.

Dr. Paredes stated that issues at individual campuses also impacts costs. For example, student enrollment has significantly increased across all Texas institutions, but more so at community colleges. This means that a greater share of students, and particularly low-income students, are enrolling in institutions with fewer resources. Not only are more students from low-income families, but many are not college ready. The lack of adequate preparation provided at many K-12 schools in Texas means that an increasing number of students are enrolling in developmental education courses, thereby increasing costs to the student and to the institution. What's more, these students also are less likely to be graduated from colleges, meaning that if they take on student loans, they likely will have a difficult time paying the loans back because the students do not have the academic credentials designed to provide them with a higher income.

Also concerning institutional behavior, a larger share of institutional revenue is being utilized outside the classroom. A larger share of overall costs are being spent on cultural and recreational centers, administrative overhead, research laboratories, and other expenses outside the traditional classroom. Part of the increase in cost

includes providing online education, which was once thought to be a cost saver in higher education. Many institutions are realizing the significant costs associated not only with instructional technology, IT personnel, infrastructure, course development, faculty training, but also in ensuring that all of these remain up-to-date. Dr. Paredes stated that online education is not a quick fix and requires a significant investment of time and resources. What's more, online education must have a critical mass of students utilizing the courses to have enough end users to offset the startup costs. Additionally, there is significant debate concerning the effectiveness of online education, particularly for undergraduate students, low-income students, and non-traditional students.

Dr. Paredes addressed the projected budget shortfall by stating that if the legislature reduces formula funding to institutions and orders them not to increase tuition, institutions will not get better, and many students will suffer as a result. For instance, many of the students who are a part of the recent record enrollment may face reduced student services, reduced financial aid, and become discouraged about higher education. In turn, they will return to their communities and report to friends and family that higher education is not for them. This, according to Dr. Paredes, could have an impact on Texas' economic competitiveness for a generation. What's more, this scenario could also impact societal and cultural benefits associated with a college education, including increased civic participation, lower chances of incarceration, and healthier lifestyle choices. Higher education, Dr. Paredes states, is the biggest driver of the state's economic development, and each time the state cuts funding, it eliminates an opportunity to invest in Texas' future.

Institutional Cost Drivers

The following persons testified about cost drivers at their respective institutions: Jim Brunjes, Chief Financial Officer with the Texas Tech University System; Dr. Carl Carlucci, Executive Vice Chancellor of the University of Houston System; and Dr. Johnette McKown, President of McLennan Community College. They agreed that personnel, infrastructure, and administration are major cost drivers.

Mr. Brunjes noted that as the number of students increases, Texas Tech increases the number of faculty members. University staff classified in support services also increase when enrollment increases. What's more, as a higher number of students enroll in close-to-the-market departments such as business or pre-law, the university has to hire more expensive faculty members. Additionally, infrastructure costs, including updating the physical plant and providing distance education, also add to institutional cost drivers. Mr. Brunjes also stated that online education is

expensive and time consuming and should not be viewed as a replacement for providing face-to-face education to students. Online courses, he stated, are better for older students who are place bound because of jobs or families and that most experts agree traditional higher education is better and more immersive.

Dr. Carlucci echoed many of the concerns stated by Mr. Brujnes, including that personnel costs are a primary driver of overall costs in higher education. Because of an increased focus on research, Dr. Carlucci stated that the University of Houston is spending money on research labs, equipment, graduate students, and high-quality faculty members. Additionally, because of lower state appropriations, students now assume responsibility for approximately two-thirds of the cost of their education, compared to one-third of the cost several years ago.

Dr. McKown provided testimony concerning cost drivers at the community college level. She stated that community colleges' costs are driven by higher enrollments and ensuring that each student has the faculty, support staff, and instructional support necessary to receive a post-secondary education. Additionally, increased costs associated with mental health and Americans with Disabilities Act (ADA) compliance are impacting community colleges. As community colleges are the state's primary open enrollment institutions, they are serving a high number of students who, due to a relatively poor K-12 education, need developmental education at the post-secondary level. Dr. McKown also stated that it costs more to get a completer from online courses than from a face-to-face course.

Cost Efficiency

Fred Heldenfels, Chair of the Texas Higher Education Coordinating Board, provided testimony regarding the Coordinating Board's Cost Efficiencies Study that was mandated by executive order RP 73 and House Bill 4149. Mr. Heldenfels stated that the state should stop funding institutions according to enrollment and move to funding based on student outcomes. Specifically, the THECB's report recommends that the state fund two-year and four-year institutions according to their performance. What's more, he stated, the state should mandate statewide articulation agreements, require that at least 10 percent of semester credit hours be completed in ways that do not require on-campus instruction, increase faculty productivity (defined as undergraduate teaching) by 10 percent, require a single statewide standard for college readiness, require students to complete a degree plan once they complete 42 semester credit hours, and require students to meet with an advisor before enrolling in a course outside their degree plan.

Dr. Wright Lassiter, Chancellor of the Dallas Community College District, provided testimony concerning how cost drivers and cost efficiencies impact his district's institutions. Dr. Lassiter stated that personnel costs are significant on his campuses, and these are tied closely to student enrollment. In essence, the more students enrolled, the more faculty and support services personnel must be hired. Addressing Mr. Heldenfels' recommendations, Dr. Lassiter also strongly urged that incentive funding be separate funds for community colleges and should not be used to replace formula funding based on semester credit hours generated.

Community Colleges Offering Baccalaureate Degrees

Dr. Paredes, Dr. Don Noel Smith, President of the University of Houston-Victoria, and Dr. Millicent Valek, President of Brazosport College, discussed three-year degree programs and community colleges offering baccalaureate degrees. There was some disagreement between Dr. Paredes and Dr. Valek concerning the cost, success, and need for community college baccalaureate degree programs. Dr. Paredes testified that all three colleges that were authorized to provide BAT degrees have experienced a decline in associate degree graduation rates since 2000. Dr. Valek stated that Brazosport College's graduation rate has actually increased during that time. What's more, there also was disagreement concerning whether four-year universities that are geographically close to the community colleges are willing or able to offer a BAT. Dr. Valek noted that community colleges are in a better position than four-year universities to meet the needs of local industry and that industry's use of their graduates indicated that the BAT was a success.

Three-year Degree Program

Dr. Smith discussed the Degree-in-Three program currently being offered at the University of Houston-Victoria (UHV). He testified that the program began in Fall, 2010, and that there are six students who have selected the program, including five students in criminal justice and one student in psychology. He stated that there is no difference in course requirements, credit hours, or academic standards between the Degree-in-Three program and the traditional four-year program. Students who enroll in the program have their tuition frozen, meaning that so long as they remain in the program, their tuition cannot be increased. It is, however, primarily for academically prepared students, and Dr. Smith notes that it is not intended for every student who enrolls at UHV.

Textbooks

Textbook cost also was addressed during the hearing. While many articles and press reports have documented the rise of electronic or rental textbooks, these concepts do not alter the publisher-based business model that drives many textbook

sales. Dr. Sidney Burrus, William and Stephanie Sick Dean of Engineering (Interim), and Maxfield and Oshman Professor Emeritus, Rice University, testified regarding an open source textbook exchange housed on the Rice University campus. Connexions is a repository of encoded educational content, organized in modules that can be utilized by faculty members to create high quality textbooks at very low cost. The content is copyrighted, which means that those who use the module must attribute ownership to the original author. What's more, Connexions also provides methods by which the modules can be peer reviewed to ensure that they are of high quality. As of December, 2009, the repository contained approximately 15,500 modules and 940 collections or books. Dr. Burrus testified that a book that might cost \$130 from a publisher costs \$30 through Connexions. Notably, the books purchased through Connexions are not rented or previously owned. Once purchased, they become the students' own books, to be used, written in, and kept by the students.

Melanie Ferrari, Student Body President at Texas State University, also provided testimony concerning textbooks. She noted that many students do not like electronic textbooks and suggested that electronic books are not the answer to textbook costs. She stated that her organization plans to distribute a survey to students to determine their textbook preferences. The results of this survey will be available in January, 2011, and may provide guidance regarding the state's long-term approach to lowering textbook costs.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding cost drivers to the 82nd Legislature:

01. The Legislature should adopt outcomes based formula funding only if the formulas for two-year and four-year institutions are funded fully.
02. The Performance Incentive Funding Initiative should be continued.
03. The Legislature should not rely on distance education as a primary way to deliver post-secondary education.
04. Colleges and universities should encourage faculty members to utilize open source textbook exchanges.
05. The Legislature should utilize open source textbook exchanges for all public documents.
06. The Legislature should consider adopting a statewide diagnostic assessment tool to determine college readiness.
07. Colleges and universities should strongly urge students to have a degree plan before the start of their third semester in college.
08. The Legislature should consider mandating statewide articulation agreements between two-year and four-year institutions.
09. The Legislature should not expand community colleges offering baccalaureate degrees unless there is a significant local industry need and there is no four-year institution available to offer the degree.

Charge Six--Texas Higher Education Coordinating Board

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. Include an assessment of higher education reporting requirements and make recommendations to eliminate duplicate requirements and streamline reporting.

Background/Legislation

The Texas Higher Education Coordinating Board can trace its roots to 1953 when Governor Allan Shivers and the 53rd Texas Legislature authorized Texas' first official Commission on Higher Education. Governor Shivers' words at the first meeting of the Commission are equally applicable to higher education today: *the question lies not in whether we need higher education, nor in the further question of whether enough money ought to be spent for it. Texans always have responded affirmatively on both those counts. To get at the heart of the problem, you must determine, by objective and impartial standards, the amounts and varieties of higher education required for young people, where it should be offered, and how much can we afford to pay for it* (Allan Shivers, Governor, Texas, Address to the Texas Commission on Higher Education, Senate Chamber of Texas, September 23, 1953).

History of the Texas Higher Education Coordinating Board

Governor John Connally and the 59th Texas Legislature created the modern day Texas Higher Education Coordinating Board (THECB) in 1965. According to Governor Connally's original charge to the THECB, its responsibilities included to represent the State of Texas in the coordination of all higher education in the state; set policies that formulate the course for higher education in Texas; maintain an objective, statewide perspective; determine educational questions according to educational measures; set policies for institutional and program excellence by balancing access and quality; discourage the initiation and continuation of programs of substandard quality; recognize community and technical colleges as full partners in higher education; and encourage institutions of higher education by praising their progress and supporting their steps towards excellence (John

Connally, Governor, Texas, *Address to the Coordinating Board Texas College and University System*, Austin, Texas, September 20, 1965).

Over the last 45 years the Texas higher education system has grown substantially. In 1964 there were 23 public senior institutions, 34 public community/junior college districts, and three public medical schools serving approximately 195,000 students. In Fall, 2010, there were 38 Public four-year Colleges & Universities, six University Systems, 40 Independent four-year Colleges & Universities, Ten Health-Related Institutions, one Independent Medical School, 50 Community College Districts with 80 Community College Campuses, all serving approximately 1.4 million students.

Current operations of the Texas Higher Education Coordinating Board

Chapter 61 of the Texas Education Code codifies the statutory authority of the Board and the THECB. The overall responsibilities of the THECB include assessment of the state of higher education in Texas; development of recommendations for its enhancement to the Governor, legislature, and institutions; and establishment of policies for the efficient and effective use of the higher education resources of the state. To meet these broad obligations to the people of Texas, the THECB in 2000, in cooperation with institutions of higher education, business, and community leaders, developed a master plan for higher education titled, *Closing the Gaps by 2015*. The long-range plan focuses on steps the state can take to improve the preparation of its workforce, expand access, raise quality, improve efficiency, and increase research in higher education. The THECB also reviews and recommends changes in formulas for allocating state funds to public institutions and helps eliminate costly duplication in academic programs and unnecessary construction projects. What's more, it gathers, analyzes, and provides data about higher education.

Working with higher education institutions, the Governor, and the legislature, the THECB attempts to ensure that all Texans have access to high quality programs at different instructional levels and administers the state's financial aid programs. Examples of student financial aid programs include the Texas B-On-Time Student Loan program, Hinson-Hazlewood College Student Loan Program, TEXAS Grant (Towards EXcellence, Access and Success), Texas Educational Opportunity Grant Program (TEOG), Top Ten Percent Scholarship Program (TTP), and the Tuition Equalization Grant Program (TEG).

The business organization of the THECB consists of two major departments: Business and Finance and Academic Planning and Policy.

Business and Finance has four divisions. The Business and Support Services division provides administrative support in the areas of business services, building and facilities, support services, and federal grant administration to other divisions of the THECB to facilitate the achievement of the agency's goals and objectives. The Division of Loan Programs/Grants and Special Programs is responsible for providing leadership and direction for numerous programs, primarily related to financial aid in Texas, and for providing student-oriented information and assistance. The Division of Information and Technology provides technology support for computer hardware and software to enable the THECB to conduct business. The Human Resources division is responsible for recruitment, personnel management, including compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

Academic Planning and Policy has three divisions. The objective of the Planning and Accountability Division is to provide the Coordinating Board with a comprehensive planning capability related to higher education funding and the delivery of higher education. The division is responsible for providing accurate, timely, and meaningful higher education data to stakeholders. What's more, it provides analysis and reporting, including annual updates on Texas' progress in meeting the goals and targets set forth by *Closing the Caps by 2015*. The division also provides a wide range of analysis on issues such as the development of funding formulas used to allocate the funding to the state's higher education institutions and the fiscal impacts of bills related to higher education. Additionally, the division produces studies and reports related to higher education financing and productivity as well as facilities planning and utilization.

The Academic Affairs and Research Division directs policy development, programmatic activity, and research. The division supports and monitors the academic integrity of the state's higher education institutions. The division also provides oversight of competitive scientific research, workforce grants, and medical programs at the state's health-related institutions, in an effort to help the state bring in more federal dollars.

The newly created Division for P-16 Initiatives focuses on the relationship between public and higher education and the promotion of a college going culture in Texas. Generally, the responsibilities of the Division for P-16 center on coordinating and strengthening academic programming between K-12 and higher education; strengthening and supporting research-based practices that lead to improvement of

educator preparation programs; and coordinating and supporting outreach efforts between educational entities, community organizations, and businesses at the local levels.

The Governing Board (Board) of the THECB consists of nine members appointed by the Governor for six-year terms. The Governor also appoints the chair and vice-chair. No Board member may be employed in education or serve on a community college board of trustees. Board members serve on standing and advisory committees that provide guidance to the THECB about various topics. The Board is required to meet quarterly in Austin. Meetings are usually in January, April, July, and October. The chair may call additional meetings.

The 2010-2011 General Revenue and General Revenue-Dedicated appropriation of the THECB, subject to the 5 percent reduction, totals \$1,462,413,717 (Dewhurst, Perry, and Strauss, Letter. January 15, 2010). The structure of the Coordinating Board's budget makes it difficult not to reduce programs that negatively will affect students. Of the General Revenue amount, \$1,059,734,263, or 72 percent, is dedicated to student financial aid. Programs included are the TEXAS Grant, TEOG, TEG, Texas Work Study, B-on-Time, and TTP. The remaining available amount for reductions also is mostly in the form of trusteed funds appropriated to the Coordinating Board for distribution to students, higher education institutions, and other external entities. The THECB has an annual budget of \$945,253,494, most of which are trusteed funds (95.1 percent or \$898,697,858 is in trusteed funds, and 4.9 percent or \$46,555,636 is for the THECB's operating budget). In FY2011, General Revenue supports 82 percent or \$777,259,824 of the agency's budget and as of November 11, 2010, the THECB employs 271.9 fulltime employees (FTE) with an overall cap of 307.9 FTE. Less than half of the 307.9 FTE are funded with General Revenue and approximately 34 percent of the THECB's employees support student loan programs. Repayments and administrative fees for loan programs, as well as administrative funds included with federal programs and private grants, directly support the majority of the THECB employees.

Recent Changes to the Texas Higher Education Coordinating Board

Texas last made substantial changes to the Board and THECB in 2003 via Senate Bill (SB) 286, in response to the Sunset Advisory Commission Report of March, 2002. SB 286 continued the THECB until 2015 and made various changes in the Board's administrative duties.

SB 286 required a periodic, instead of an annual, review; revised the five-year master plan for higher education; and established review requirements; required the THECB to provide monitoring of the plan's implementation and identification of strategies to achieve the plan's goals; required the THECB to prepare a biennial, instead of an annual, report to the legislature, including an assessment of the state's progress in meeting the goals and the degree to which the current higher education funding system supports the plan's implementation; and required the THECB to provide in its funding policies incentives for supporting the master plan.

The Joint Advisory Council was replaced with the P-16 Council, which is composed of the commissioners of education and higher education and the executive directors of the Texas Workforce Commission and the State Board for Educator Certification. The P-16 Council retained the same charges as its predecessor with the added duty to study and make recommendations regarding the alignment of secondary and postsecondary education curricula and testing.

The legislature required the THECB to approve an existing common course numbering system for lower-division courses to facilitate transfer of course credit among public colleges and universities, required each institution to use the system unless exempted by the THECB for good cause, and required the THECB to cooperate with those institutions in any additional system development or alteration. The Texas Academic Skills Program was replaced with the Success Initiative for student testing and developmental education to address identified skill deficiencies. SB 286 required public colleges and universities to test each non-exempt entering undergraduate student to determine the student's readiness to undertake freshman-level course work, and required the THECB to designate one or more diagnostic tests for this purpose. The bill required each institution to report annually to the board on its Success Initiative's effectiveness, and it required the board to evaluate the initiative's effectiveness on a statewide basis.

SB 286 further required each institution to establish a program to advise students regarding preparation and development of the necessary skills for completing college-level work and to work individually with students who fail to meet institutional standards on the test to prepare them for freshman-level course work. It allowed the THECB to develop supplemental funding formulas for developmental courses.

The THECB was required to distribute money to colleges and universities participating in the Texas Opportunity Plan Fund through the Texas Guaranteed Student Loan Corporation's electronic funds transfer system, unless an institution

requested another means of distributing funds. It restricted the THECB's issuance of new loans under the Federal Family Education Loan Program to borrowers who have been or will be issued a student loan under another program administered by the board, but it allowed the board to service any such federally insured loans that remained outstanding.

The Board was reduced from 18 to its current configuration of nine members. Lastly, the bill added standard sunset language governing conflicts of interest, training and removal of board members, internal auditing, an equal employment policy, the State Employee Incentive Program, dispute resolution procedures, and technology planning.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on August 19, 2010. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Aims McGuinness, PhD, Senior Associate, National Center for Higher Education Management Systems
- Jennifer Splansky, Senior Consultant, FSG Social Impact Advisors
- Ken Levine, Interim Director, Texas Sunset Commission
- Heather Morris, former Student Board Member, Texas Higher Education Coordinating Board
- David Gardner, PhD, Deputy Commissioner for Academic Planning and Policy, Texas Higher Education Coordinating Board
- Arturo Alonzo, PhD, Deputy Commissioner for Business and Finance, Texas Higher Education Coordinating Board
- Michael McKinney, MD, Chancellor of The Texas A&M University System and Chair of the Council of Public University Presidents and Chancellors
- Stephen Kinslow, PhD, At-Large Board Member, Texas Association of Community Colleges and President, Austin Community College
- Dan Weaver, Assistant Commissioner of Business and Support Services, Texas Higher Education Coordinating Board
- Susan Brown, Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board
- Fred Friedrich, Associate Vice President and Controller, The University of Texas at Austin
- Susan Brown, Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board
- James Dilling, Higher Education Analyst, Legislative Budget Board

Findings/Analysis

Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board (THECB), along with other key executives of THECB, testified regarding the functions of the THECB. Testimony showed that the THECB still faces several challenges in the areas of mission focus, working and communicating with stakeholders, and data collection and reporting.

Dr. Paredes testified that the THECB continues to pursue its mission to identify policy initiatives and best practices aimed at helping Texas achieve its goals. He pointed to the success of *Closing the Gaps by 2015*. The plan created benchmarks and measures to assess progress toward closing the higher educational gaps in Texas as well as the gaps between Texas and other states in the areas of *student participation, student success, excellence and research*. Texas was one of the first, and today remains one of the few states, to adopt a higher education master plan that outlines very specific milestones. Dr. Paredes maintained the THECB is positioned uniquely to challenge the status quo and business as usual in higher education and to propose change and improvement. He aptly stated that this is not always the most popular role.

Mission Focus

Aims McGuinness, PhD, Senior Associate, National Center for Higher Education Management Systems, testified that if policymakers are unhappy with a coordinating agency's mission focus, the policymakers themselves might be to blame; over time, the accumulation of legislative mandates that can create mission creep and divert agency resources away from strategic planning and policy leadership. Dr. McGuinness noted that the THECB administers many financial aid programs with varying eligibility and reporting requirements. The legislature has created these programs largely on a special-purpose basis to meet specific needs over time, and the resulting administrative burden may be hindering the THECB's intended strategies for higher education.

Dr. McGuinness was quick to point out that Texas is not unique in this respect and testified regarding common issues facing coordinating boards across the country. Examples included strategic and master plans that lack clear goals and related metrics; strategic and master plans that focus on institutional issues and not on a public agenda; strategic and master plans that are ignored in the policymaking and budget process; and boards that focus on internal institutional issues and not on major public priorities. Other risks to boards include workloads dominated by administrative and regulatory functions that occupy the attention of policy

leadership and limit policy analysis capacity. Dr. McGuinness testified that the THECB performs better than most of its peers in the country and often is cited as a model program, as evidenced by the California legislature's recent decision to have Dr. Paredes testify about the Texas higher education accountability system.

Dr. McGuinness testified that states have attempted to address higher education issues through a number of agency configurations. One state, Michigan, has no statutory statewide higher education agency. Dr. McGuinness explained other states fit mostly into two main configurations.

One common configuration is to have a regulatory coordinating board or agency with some degree of academic program approval authority and some degree of budget authority. Texas and 22 other states fit this model.

The other common configuration is a consolidated governing board. States that use this model organize all public higher education under one statewide governing board. None of these states, however, established a statewide agency tasked with academic policy or budgetary authority between the governing board and state government. Twenty-four states fit this model.

Michael McKinney, MD, Chancellor of The Texas A&M University System and Chair of Council of Public University Presidents and Chancellors, suggested the state should consider creating a single public education entity that would combine the oversight responsibilities of public education and higher education into a single Pre-K through 20-plus agency. Dr. McGuinness responded that only four states have a bureaucratically combined P-20 governing body and because the worlds of higher education and public education deal with fundamentally different issues, not one of them is managed holistically.

David Gardner, PhD, Deputy Commissioner for Academic Planning and Policy, Texas Higher Education Coordinating Board, testified the THECB does address pipeline issues between K-12 and higher education. Dr. Gardner pointed to THECB's P-16 Initiative that coordinates and strengthens academic programming between public and higher education. The P-16 Initiative also develops and implements projects designed to improve college readiness standards.

Communicating with stakeholders

Some stakeholders of higher education have launched criticism that the THECB agency needs to improve its communication with higher education stakeholders. Stephen Kinslow, PhD, At-Large Board Member, Texas Association of Community Colleges, and President, Austin Community College, stated that

community colleges leadership believes that in some instances, advisory committee recommendations have not been given proper consideration by the Coordinating Board. Given the time and resources devoted by these volunteer committee members, it is important that the information and recommendations they provide be given every possible consideration. Dr. McKinney concurred in his testimony that institutional participation is vital to advancing efficiencies in higher education and that inclusion of higher education institutions is not true participation when the conclusions are already determined.

In November, 2009, the THECB enlisted the help of FSG, a nonprofit consulting firm specializing in strategy, evaluation, and research to create an accelerated plan for *Closing the Gaps by 2015* and to provide recommendations for organizational changes that would enhance the THECB. Jennifer Splansky, Senior Consultant, FSG Social Impact Advisors, testified that FSG recommended the THECB continue to foster strong collaboration with its external partners.

To ensure such collaboration is pursued, FSG recommended that the THECB incorporate stakeholder engagement plans as a key component in project plans and budgets, and ensure that feedback loops with stakeholders are closed in a timely manner. Ms. Splansky testified that FSG worked with the external relations team of the THECB to build a detailed stakeholder engagement plan to move forward regarding this recommendation. FSG also encouraged the THECB to include key stakeholders early in the development process, and to recognize staff members who effectively engage external stakeholders.

Dr. Paredes testified that the THECB has made a concerted effort to reach out to, and to work closely with, all stakeholders and over the last year has engaged proactively a wide range of stakeholders to discuss proposed policy initiatives. The diversity of stakeholders range from the Texas Public Policy Foundation to the Center for Public Policy Priorities and include such organizations as the Mexican American Legal Defense and Educational Fund (MALDEF), the National Association for the Advancement of Colored People (NAACP), and the Texas Association of Chicanos in Higher Education (TACHE). Also over the course of the last year, senior agency staff has hosted a series of listening tours with key legislative and executive staff, including staff from Senate and House higher and public education committees, to discuss major initiatives and answer questions. Dr. Paredes added that he and senior agency staff make every effort to attend meetings, panels, and other higher education stakeholder events not only to explain initiatives, but also to solicit feedback actively.

Dr. Gardner testified that one of the major functions of the THECB is to gather, analyze, and provide information and data about higher education. The THECB accomplishes this function largely through the Education Data Center. Information gathered includes data for institutions of higher education throughout the state, which use the data to support their performance measures and to justify credit and contact hours used in the appropriations process.

Susan Brown, Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board, testified that Texas currently mandates institutions to provide a series of standard reports to the Coordinating Board. Required reports include enrollment data, course inventories, and faculty and facility reports that contribute to the Texas' Accountability System and other key higher education initiatives and decisions.

Data collection and reporting

Some stakeholders, including key policymakers in the legislative and executive branch, have taken issue with THECB's collection and reporting of data. Dr. Kinslow testified that clear and consistent information flow is essential in ensuring the smooth operation of the state higher education system. Dr. McKinney concurred with Dr. Kinslow that increased communication to the higher education community and enhanced transparency through technology would be helpful.

Often the issue is not the lack of data but the vast amount of the available data. Dr. McKinney pointed out a list of approximately 500 required reports, assembled by university professionals who have worked diligently to identify opportunities to reduce the reporting burden by sunsetting cumbersome or duplicative reports. James Dilling, Higher Education Analyst, Legislative Budget Board (LBB), testified that the LBB had studied 79 reports produced by THECB and 52 reports of other agencies. The study found 33 reports had a low perceived value and higher education institutions in Texas identified four of these reports as requiring significant use of institutional resources to produce them. Mr. Dilling testified that the Texas Association of State Senior College and University Business Officers (TASSCUBO) identified 258 reports that institutions of higher education file with state agencies and offices at an estimated cost of \$13 million.

Finding all the data that are reported can be difficult, and Dr. McKinney explained that often it is easier to contact directly a staff member than it is to find information online. Dr. Kinslow concurred, stating that institutions and staff are obliged to spend a great deal of time seeking information from the THECB's website or by

calling the THECB. Dr. Kinslow said he would rather have information conveyed regularly to the institutions.

Dan Weaver, Assistant Commissioner of Business and Support Services, Texas Higher Education Coordinating Board, testified that many researchers are unfamiliar with higher education terms and with the sometimes complex and nuanced program rules. As independent researchers with institutions generate their own reports from the data, THECB staff must spend significant time to provide clear definitions as more granular data are produced.

Ms. Brown testified about similar technical difficulties by explaining that the THECB reports much of the data it collects online through the THECB Accountability System. The Accountability System divides data sets based on the four *Closing the Gaps* goals: *participation, success, excellence, and research*. This requires the database user to know that institutional enrollment is found in the *participation* section of the database or that institutional degrees are found in the *success* section.

Dr. McKinney admitted that data consistency is difficult to achieve with so many different sources of data (institutions of higher education, state agencies, and the THECB itself). Mr. Weaver explained that legal hurdles also complicate sharing data. The Family Educational Rights and Privacy Act (FERPA) is a federal law that protects the privacy of student education records and prohibits the sharing of some records.

According to Ms. Splansky, FSG noted that THECB staff used data effectively to inform their own analyses and recommendations. FSG recommended, however, strengthening the agency's ability to use data to more assertively guide and influence change across the state. The THECB can more assertively recognize and promote best practices identified through the data and analysis. The agency can also use data to highlight areas in which institutions may be struggling to make sufficient progress toward *Closing the Gaps*. FSG further recommended that the THECB make its data more easily accessible on its website. Creating easier access to the data also would save time for staff, who would not need to respond to as many requests if stakeholders could access the data and reports more easily on their own.

Notwithstanding suggestions for improvement, Ms. Brown noted that Texas is a national leader in using data to drive policy. Mr. Weaver noted that the THECB has continued efforts to give institutions and researchers direct access to data and

research. Dr. Gardner also noted the THECB is making efforts to make data more accessible and user-friendly with easy-to-read institutional online resumes formatted for policymakers as well as for parents and students, using the THECB's accountability data.

Managing higher education data to make them more relevant and accessible to users is not a problem unique to the THECB. Fred Friedrich, Associate Vice President and Controller, The University of Texas at Austin (UT), testified that UT addressed a similar data problem by designing an interactive integrated database called Information Quest (IQ), which stakeholders and policymakers can access. The database is successful because any member of the university community can access the raw data, including enrollment, contact hours, and even the number of graduate assistants in a department and then relate these data to other data points that are relevant for his or her needs. Thus, not only does everyone have access to the raw data points of enrollment, but also a financial aid officer can study enrollment from the viewpoint of available student aid, and a housing director can study enrollment from the viewpoint of available campus housing.

Mr. Friedrich explained that the technical hurdles of required hardware, such as servers, relational database software, and other technology tools are easy to overcome and that human talent and the quality of planning, design, and data integrity are much more critical to long-term success. Thus, from a technical standpoint, establishing the hardware and software for IQ System for the THECB should be straightforward. Establishing a data collection process, however, would be very challenging because of different systems used around the state, the different technological tools and personnel available to help, and the different ways that agencies define data and use data systems. Likewise, establishing common definitions pertinent to key data points could also be difficult, such as what qualifies as a credit hour.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding the Texas Higher Education Coordinating Board to the 82nd Legislature:

01. The formalization of the P-16 Council at the Texas Higher Education Coordinating Board is a more effective means of interagency coordination than combining the Texas Higher Education Coordinating Board with the Texas Education Agency.
02. The Legislature should direct the Texas Higher Education Coordinating Board in conjunction with the Texas Guaranteed Student Loan Corporation to submit a feasibility study for moving the administration of all financial aid and loan programs to the Texas Guaranteed Student Loan Corporation.
03. The Texas Higher Education Coordinating Board should continue to find ways to improve its communication with institutions and stakeholders regarding the most desirable strategies to support the Texas' higher education plan.
04. The Texas Higher Education Coordinating Board should develop a required sunset process for required reports, with the opportunity for originators of the required reports (and recipients of the data) to indicate a desire to continue the report if the data are not readily available elsewhere.
05. The Texas Higher Education Coordinating Board and the Texas Legislature should reaffirm the usefulness of all higher education reports to state agencies regularly, but at least every six years.
06. The Texas Higher Education Coordinating Board should identify and eliminate reports identified as low value to the state but that require a high level of institutional resources to complete.
07. The Texas Higher Education Coordinating Board should produce a feasibility plan for creating a statewide integrated, relational database such as the IQ System used by The University of Texas at Austin.
08. The Texas Higher Education Coordinating Board should consider a listserv or automated alert system that stakeholders can manage, allowing them to sign up for notifications of the availability of new reports and the various meetings conducted by The Texas Higher Education Coordinating Board.

Charge Seven--Endowments

Review endowed funds at institutions of higher education to ensure compliance with all state laws and, in particular, the Uniform Prudent Management of Institutional Funds Act. Study and make recommendations for requiring all institutions of higher education to report annually to donors on the use of gifts and endowed funds. Review state laws to determine if they provide adequate oversight of these funds. Study the manner in which scholarship and other funds are given and bequeathed to institutions of higher education and make recommendations for ensuring that donors' wishes are honored while institutions are allowed appropriate flexibility with the use of the funds.

Background/Legislation

According to a 2010 Government Accountability Office Report, GAO-10-393, endowments are defined as "institutional funds that, under the terms of a gift agreement, cannot be entirely spent by the institution on a current basis" (GAO-10-393, p. 2). Endowments often are used to provide colleges and universities a stable source of income, payable over time, as opposed to a one-time gift that can be spent immediately.

Types of Endowments

There are three types of endowments, namely, true endowments, term endowments, and quasi-endowments. True endowments require that the "principal cannot be spent by the institution" and the college or university is limited to spending only the interest or returns on investment for the fund (GAO-10-393, p. 2). A term endowment is "a fund whose principal may be spent after the passage of a certain amount of time or the occurrence of a certain event" such as 20 years or the death of the donor (GAO-10-393, pp. 2-3). These types of endowments are also known as donor-restricted endowments. A third type of endowment is a quasi-endowment. Quasi-endowments are created when "officials decide to move non-endowment funds, such as a gift or a bequest to the institution, into the institution's endowment for investment, and spending purposes" (GAO-10-393, p. 3).

Endowments also can be restricted or unrestricted, depending on the wishes of the donor and the terms of the contract between the donor and the institution. Donors may choose to restrict the institution's discretion regarding how the endowment

may be spent. For example, a donor may require the institution to spend the endowment only on a faculty appointment for a certain college or on scholarships for needy students from a specific town. Unrestricted endowments may be spent on programs at the institution's discretion.

Investment and Management of Endowments

Institutional management of endowments usually involves pooling various funds together and then investing them. These funds may be managed by an internal investment committee or an external investment firm. Texas state law, such as the Uniform Prudent Management of Institutional Funds Act and the Texas Public Funds Investment Act, govern how institutions must invest, distribute, spend, and report their endowment funds.

According to the GAO report, U.S. institutions of higher education held more than \$400 billion in endowment assets in 2008. Most colleges and universities had endowments of less than \$100 million, yet 70 of the 2,000 colleges and universities analyzed in the report had endowments in excess of \$1 billion (GAO-10-393, 6).

The GAO report conducted a case study that included The University of Texas System. This study illustrates some of the complexities involved in university endowment restrictions and management. The UT System, through its various endowments, had \$15 billion in 2009 dollars in 2008. Because of the decline in the stock market, the value of the endowments fell to \$12.2 billion in 2009. Despite the drop in the endowments, the UT System is in the top 1 percent of schools by total endowment size (GAO-10-393, p. 62).

The University of Texas System's endowments are made up of four major endowment funds. The Permanent University Fund (PUF) is the largest fund, comprising nearly 57 percent of the total endowment. The Long-Term Fund (LTF) is an amalgamation of 9,000 individual donor funds and makes up 35 percent of the system's total endowment. The Permanent Health Fund (PHF), a fund made up from Texas' proceeds from litigation against tobacco companies, is roughly 6 percent of the system's endowment and is restricted to public health. The remaining 3 percent is made up of the Separately Invested Funds, which due to the nature of the assets or restrictions, cannot be invested with other funds.

Important to a discussion of expenditures is the fact that nearly two-thirds of the UT System "endowment in 2009 was classified as restricted, nonexpendable assets. This amount, consisting of the original gift amount of donor-restricted funds, can never be spent" (GAO-10-393, p. 64). Another one-third of the endowment was

"restricted expendable assets" (GAO-10-393, p. 64). The remaining 3 percent "can be spent by the school in accordance with donor stipulations" (GAO-10-393, p. 65). Accordingly, an evaluation of any endowment must begin with an understanding of the kind of endowment and its purpose.

The economic downturn of 2008-2010 strained many universities' endowments. The primary reason behind this strain is twofold. Many investment-based endowments suffer when stock, bond, or equity markets lose value. Whether endowments are invested in technology stocks, municipal bonds, real estate, or any number of other investment vehicles, very few sectors were immune from the bear market of recent years. The endowments therefore, had fewer returns on principal compared with the late 1990s or mid-2000s.

The second strain on endowments also is related to the economic downturn, but instead of impacting revenue, this issue concerns spending. As states face lower tax revenue, universities see higher enrollment, and appropriations fail to keep up with operational costs, many colleges and universities increasingly are expected to rely on endowment returns to operate. This, coupled with a lower return on investments, strains both the income and spending functions of many funds. What's more, reliance on endowments may create scenarios whereby a department head or dean, because of budget cuts, may consider reallocating endowment funds from one purpose to another to mitigate the impact of cuts.

The primary statute relevant to this charge is the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was passed by the Texas Legislature in 2007 and is codified in Chapter 163 of the Property Code.

UPMIFA establishes a standard of conduct for the management and investment of institutional funds. It requires that endowment managers first consider the donor's wishes and the charitable purpose of the institution when investing or managing the funds. The statute also establishes that each person responsible for investing or managing the funds must do so in good faith and with the care of an ordinarily prudent, similarly situated, person.

In investing an institutional fund, UPMIFA requires that a manager must consider several factors. The foremost factor is the donor's wishes. Additional factors that must be considered are general economic conditions, possible effect of inflation or deflation, expected tax consequences, the role that each investment plays within the overall investment portfolio, expected total return, other institutional resources,

institutional needs and capital preservation, and an asset's special relationship to the charitable purpose of an institution.

In addition to the investment rules, UPMIFA also provides for regulation of fund management. Institutions are required to make a decision about the retention and disposition of a gift within a reasonable time of receiving the gift. An institution is limited to incurring only appropriate and reasonable costs in the management of the funds. This appropriate and reasonable standard is determined in relation to the assets and skills available to the institution.

The Texas Public Funds Investment Act (TPFIA), codified as Title 10, Chapter 2256 of the Government Code also is applicable to college and university endowments. The TPFIA requires that institutions subject to its authority, including colleges and universities, adopt written investment policies that will govern how managers invest the endowment funds. The Act also dictates what must be in the policies, including a list of authorized investments, maximum allowable stated maturity of investments, and investment monitoring methods.

The TPFIA also requires that the institutions designate one or more persons as responsible for the investment of the funds. The Act provides regulation for who can become a responsible party and what type of training must be completed to be considered a qualified responsible party.

Section 2256.006 dictates the standard of care for investments. Specifically, investment of funds shall be governed by the preservation and safety of the principal, liquidity, and yield. To determine whether a responsible party has invested with prudence, the investment of all of the funds over which the officer had responsibility and whether the investment decision was consistent with the investment policy must be taken into consideration.

Endowment Spending

UPMIFA also establishes a rebuttable presumption of imprudence concerning how an institution spends an endowment. The presumption is based on the total value of the endowment and is broken down into three categories. For each of the categories, the fair market value of an endowment is used, calculated on the basis of market values, determined quarterly, and averaged over the most recent three years. For endowments valued at under \$1 million, a rebuttable presumption of imprudence is created when an institution spends more than 5 percent. For endowments valued at between \$1 million and \$450 million, a rebuttable presumption is created when expenditure's amount to more than 7 percent. For

endowments over \$450 million, a rebuttable presumption is created when more than 9 percent is spent.

Donor's Intent

UPMIFA also contains provisions that allow a court to overturn or to modify a donor's restriction on a gift or endowment. A court may modify a donor's restriction if the restriction has become unlawful, impractical, impossible or wasteful, or if the modification will further the purposes of the fund. A court must take the donor's intention into consideration when making any modification. In addition, notice of the proceeding to the Texas Attorney General is required.

In 2001 the Texas Legislature adopted two riders related to endowments. Sections 44 and 48 in Article III of Senate Bill 1 of the 77th Legislature require institutions of higher education to make certain reports to either donors or state agencies. Specifically, Section 44 required colleges and universities to report to donors the vacant status of an endowed chair if the chair has remained unfilled for three consecutive years. Section 44 also required institutions to report the average length of time, in months, endowed chairs have remained unfilled and the percent of endowed chairs unfilled within the fiscal year being reported. Section 48 required an institution to report if, within five years of receiving a donation, it diminishes its financial support from local funds for a program created or endowed by the donor. In 2003 the 78th Legislature again approved this language via House Bill 1, in Article III, Sections 39 and 43.

Public Records

Although not specifically limited to endowments, Chapter 22 of the Texas Business Organizations Code, specifically Sections 351 to 356, exempt the books and records of institutions of higher education and their foundations from public records requests. This is relevant for endowments because many colleges and universities utilize foundations to manage their endowments. The books and records, however, are subject to an audit by the Texas State Auditor's Office.

Constitutional Endowments

The Texas Constitution also establishes and speaks to endowments. Article Seven, Sections 11a, 11b, and 11c establishes and governs the Permanent University Fund (PUF). The PUF "is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas-Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville,

West Texas A&M University, Texas A&M University-Commerce, and Texas A&M University-Texarkana)," available via <http://www.utimco.org/scripts/internet/fundsdetail.asp?fnd=2>.

Section 11 of Article Seven establishes the PUF. Sections 11a and 11b govern the investment of the fund. Distributions from the PUF are made into the Available University Fund, which supports the non-exempted colleges and universities of the UT and Texas A&M Systems. The University of Texas Investment Management Company (UTIMCO) is a 501(c)(3) entity charged with investment and management of the PUF, AUF, Permanent Health Fund, Long Term Fund, and Short Intermediate Term Fund.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on March 25, 2010. The hearing included invited testimony from the following persons:

- Mary Henderson, Deputy Chief, Consumer Protection Division, Texas Attorney General's Office
- Dr. Randa Safady, Vice Chancellor for External Relations, The University of Texas System
- Rick McKelvey, Vice President for Institutional Advancement, Southwestern University
- Eli Cipriano, Associate Vice Chancellor/Associate Vice President for University Advancement, University of Houston
- Lisa Baronio, Vice President for Advancement, University of North Texas
- Jim Brunjes, Vice Chancellor and Chief Financial Officer, Texas Tech University System
- Gregory R. Anderson, Chief Investment Officer and Treasurer, Texas A&M University System
- Joe Long
- Dr. Teresa Lozano Long
- John Mobley
- Jim Perkins

Findings/Analysis

Most of the witnesses testified that the various state statutes are effective in ensuring that endowments are managed and invested prudently. What's more, most witnesses agreed that endowment spending and laws governing that spending are adequate for ensuring that endowment managers do not spend too much or too little. These state laws often are supplemented by institutional policies, but state law provides the minimum standard for institutional conduct.

Investment and Management of Endowments

The University of Texas System, for example, conducts an Endowment Compliance Program that helps to ensure its endowments and the persons responsible for those endowments meet all state and federal laws. What's more, excessive accumulations, inappropriate expenditures, no expenditures, and unfilled endowed academic positions are monitored and managed. Perhaps most important, the program is reviewed and updated annually to ensure that weaknesses are identified and addressed.

Institutions spend endowment returns according to state statute, specifically the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Statutory spending caps often are based on rolling averages of investment returns for previous years. By averaging the returns over several years, institutions attempt to avoid spending "too much" in bull markets and "too little" in bear markets. This provides the institutions with consistent resources, even in times of economic boom or bust.

Donor's Intent

The primary source of contention regarding endowments was related to how institutions ensure that donors are kept abreast of how their gifts are spent. Some donors expressed concern regarding the lack of reports related to their gifts or endowments. Witnesses expressed a general consensus that colleges and universities should do a better job of ensuring that donors are kept informed about endowment expenditures, investment patterns, and specific use of returns.

All higher education institutions utilize a Memorandum of Understanding (MOU) to establish an endowment agreement between the donor and the institution. These agreements attempt to address legal and ethical issues associated with establishing an endowment and create a binding contract between the donor and the institution.

Once the agreements are entered into and the gifts have been transferred, the next issue is ensuring that the institution manages those funds consistently with the donor's intent and relevant law. The Board of Regents for each institution or system is primarily responsible for managing endowed funds. State and federal law, along with general common law principles, dictate how the endowments must be invested and specifically what vehicles are considered appropriate for investment.

Currently, most regulation governing notice and reporting to donors is at the institutional level. One institution may inform its donors on an annual basis of how the specific endowment is performing, while another may report something differently on a biennial basis. This can confuse donors, especially those who give to many institutions. In some cases, months or years may go by without donors receiving updates regarding how their gifts are being used.

This confusion can be exacerbated by different notification requirements within individual institutions. For example, an endowment given to a history department may be subject to different notification requirements than an endowment given to a business school, both of which may differ from an endowment given to a biology department. While much of this can be explained by the traditionally decentralized nature of higher education, faculty and administration should not expect donors to know that different notification requirements vary within a single institution.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding endowments to the 82nd Legislature:

01. To ensure transparency, the Texas Legislature should consider amending the Business Code to remove the public records exception for foundations' books and records.
02. Colleges and universities should each adopt a single, minimum notification standard across all colleges and programs.
03. The Texas Higher Education Coordinating Board should, on its website, provide best memoranda of understanding between donors and institutions.
04. Colleges and universities should adopt a Donor Bill of Rights and provide that information to each donor at the time a gift is given.
05. Colleges and universities should provide donors with a document allowing them to opt into different levels of notification, including use of funds, spending of funds, and other relevant information.
06. The Legislature should not require colleges and universities to spend a minimum amount of their endowments or return on their endowments.
07. If a gift goes unused for three years, a college or university should inform the donor or donors and provide justification for not using the gift.

Charge Eight--Dual Credit

Review dual credit courses, including the cost of delivery, funding mechanisms, and possibility of a statewide dual credit system. This review should also include an examination of the rigor, quality and consistency of dual credit courses.

Background/Legislation

Charge Eight requires the Senate Higher Education and Senate Education Committees to analyze and make recommendations concerning various aspects of dual credit, including cost, funding, and course quality.

Dual Credit Overview

The analysis of dual credit coursework must begin with a definition of "dual credit." The differences in definitions concerning what is a dual credit course, even among state agencies, is emblematic of the unsystematic way in which Texas approaches these courses. The Texas Higher Education Coordinating Board and Texas Education Agency are the two state agencies with primary responsibility for dual credit courses in Texas. The Texas Higher Education Coordinating Board, for example, defines dual credit as a 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. The Texas Education Agency, by comparison, defines dual credit as an opportunity and agreement through which a student may earn high school credit for successfully completing a college course that covers all the Texas Essential Knowledge and Skills (TEKS) of any specified high school course.

Dual credit courses provide significant advantages for the student and the state. These advantages include increasing student success and persistence, decreasing the cost of tuition, achieving cost efficiencies in colleges and universities, and contributing to the state's Closing the Gaps goals. Students who enter higher education with college credit are more likely to persist and to graduate than those who enter with zero college credit. What's more, the student who enters with some college credit saves on tuition. In addition, the state and academic institutions save money by avoiding significant costs, including those associated with facilities, developmental education, and formula funding for students who fail to persist.

Data from the Texas Higher Education Coordinating Board suggest student participation in dual credit increased 765 percent from 1999 to 2009. In 2009, 91,303 students participated in at least one dual credit course. The percentage of economically disadvantaged students taking dual credit increased, from 18.8 percent of dual credit students in 2003 to 30.6 percent in 2009. Across ethnicity, all groups increased participation in dual credit. From 2003 to 2009, white students increased by 96 percent (to 31,199), Hispanic students by 232 percent (to 20,000), African American students by 229 percent (to 4,864) and other by 147 percent (to 2,717).

Funding for Dual Credit Courses

State law allows both school districts and colleges to obtain state funding for dual credit courses. The school districts receive funding based on the students' average daily attendance, and colleges and universities receive state formula funding for contact or semester credit hours.

Costs for Dual Credit Courses

Decisions about who pays tuition, fees, and other costs are made at the local level and vary from district to district according to the memoranda of understanding agreed to by the school or school district and the college or university. Statute requires that these memoranda of understanding address the following elements: eligible courses; student eligibility; location of class; student composition of class; faculty selection, supervision and evaluation; course curriculum, instruction, and grading; academic policies and student support services; transcribing of credit; and funding. These agreements vary across districts and colleges and provide for significant local control over dual credit coursework. This arrangement requires a lack of systemic and uniform rules and policies across all dual credit courses, which can complicate the issues of funding, transfer, and even analysis.

Costs to the student also vary according to the agreements between higher education institutions and school districts. Some districts pay tuition/fees for the students, while other districts do not. Public institutions also may waive all, part, or none of the tuition and fees for dual credit courses. According to data from the Texas Higher Coordinating Board, most community colleges waive all or part of the cost, while few universities do so. Higher student enrollment, combined with less state funding for colleges and universities likely will result in fewer institutions waiving tuition, thus passing costs to students and parents.

Availability of and Eligibility for Dual Credit Courses

College readiness legislation passed in 2006 requires all school districts to

implement by Fall, 2008, a dual credit program that offers high school students the opportunity to earn the equivalent of 12 hours of college credit. This requirement may be met by offering dual credit courses, advanced placement courses, international baccalaureate courses, or advanced technical courses. The same law requires colleges and universities to assist a school district in developing and implementing a program designed to allow students to earn the equivalent of 12 hours of college credit while in high school. Currently, school districts are not required to pay students' tuition or other associated costs for taking a dual credit course. These requirements are designed to ensure that all eligible students in Texas have access to college credit while still in high school.

Testimony provided by Lizette Reynolds, Texas Education Agency, indicated that 139 high school campuses do not offer at least 12 hours of college credit. This means that their students are not offered the legislatively mandated minimum number of college credit hours. Ms. Reynolds speculated that this aberration may be related to a lack of qualified teachers or to a lack of access to higher education institutions.

To qualify for enrollment in dual credit courses, a student must demonstrate college readiness, and meet a college's regular pre-requisite requirements designated for a specific course.

Dual credit is available to all academically eligible students at public, private, or home schools. Courses offered for dual credit by two-year colleges must be identified as college level academic courses in the current edition of the Lower Division Academic Course Guide Manual or as college-level workforce education courses as listed in the current edition of the Workforce Education Course Manual. Courses offered by public four-year universities must be in the approved undergraduate course inventory of the university. Neither two-year nor four-year institutions may offer remedial or developmental courses for dual credit.

Early College High School

Early College High School (ECHS), which targets low-income, at-risk students and campuses, is another means by which a student can receive college credit while in high school. ECHS is a concept by the Texas High School Project, a public-private partnership between various state agencies, businesses, and non-profit foundations. Participants include the Texas Education Agency, Bill and Melinda Gates Foundation, Michael and Susan Dell Foundation, and National Instruments Corporation. In 2009-2010, ECHS served approximately 1,100 students at 41 campuses.

Students enrolled in ECHS may receive up to 60 semester credit hours toward an associate or baccalaureate degree. They must meet the same eligibility requirements as those enrolled in dual credit courses. According to an April 29, 2010 *Austin American Statesman* article, ECHS students earned approximately 16 credit hours per student in 2008-2009, saving an estimated \$4.5 million in tuition (\$4,000 per student.)

Testimony

The Senate Higher Education and Senate Education Committees heard testimony regarding this charge on May 24, 2010. The hearing included invited testimony from the following persons:

- Dr. Raymund Paredes, Commissioner, Texas Higher Education Coordinating Board
- Lizzette Reynolds, Senior Advisor for Statewide Initiatives, Texas Education Agency
- Dr. Joel Vargas, Program Director, Jobs for the Future
- Anita Givens, Deputy Associate Commissioner for Standards and Alignment, Texas Education Agency
- Dr. Rey Garcia, President, Texas Association of Community Colleges
- Missy Bender, Trustee, Plano Independent School District
- Ed Apodaca, Vice President, Student Services and Enrollment Management, The University of Houston-Downtown
- David Anderson, General Counsel, Texas Education Agency
- Dr. MacGregor Stephenson, Assistant Commissioner for Academic Affairs and Research, Texas Higher Education Coordinating Board
- Dr. Karen Garza, Superintendent, Lubbock Independent School District
- Dr. Lori Taylor, Education Research Center, Texas A&M University
- Cary Israel, President, Collin College
- Dr. Steve Kinslow, President, Austin Community College and Chair, Texas Association of Community Colleges P-16 Council
- Dr. James Wilcox, Superintendent, Longview Independent School District, authorized to speak on behalf of the Texas Association of School Administrators
- Dr. Ray Keck, President, Texas A&M International University
- Dr. Paula Nichols, Executive Director, Division of Distance Learning, Lamar University
- Salem Abraham, President, Abraham Trading Company and Member, Canadian Independent School District
- Dr. Richard Rhodes, President, El Paso Community College
- Dr. David Prior, Executive Vice Chancellor, The University of Texas System
- John Fitzpatrick, Executive Director, Texas High School Project

Findings/Analysis

Testimony indicated that the opportunity for high school students to receive college credit is helping to ensure that Texas meets the goals of Closing the Gaps, lowers ultimate education costs to students and the state, and helps maximize student success. Witnesses focused on three key aspects of dual credit, namely, cost, funding, and quality.

Cost of Dual Credit Courses

The overall cost of dual credit is being studied at the Education Research Center (ERC) at Texas A&M University-College Station. Testimony from Dr. Lori Taylor indicated that this report would not be available until January, 2011, though its findings should shed significant light on how costs vary from district to district, between two-year and four-year institutions, and whether the course is taught at a higher education institution or on a high school campus.

In addition to the ERC report concerning dual credit, the Committees also received testimony from various stakeholders regarding costs. Dr. Rey Garcia, President, Texas Association of Community Colleges, noted that there are three aspects of costs that should be considered, namely costs to the institution, to the state, and to the student.

Costs to the institution are driven by several factors and vary across programs. In general, however, dual credit costs to the institutions are driven by course development, faculty and professional development, instructional support, equipment, administrative support, and tuition waivers. Due to local control and reliance on individual contracts between districts and institutions, exactly how these costs are distributed vary widely. A dual credit system based on distance education would, for example, have costs associated with course development, equipment, and administrative support, while a more traditional face-to-face program would have costs associated with faculty and professional development.

Costs to the institution also include lost tuition via waivers to students. Whether a community college offers a tuition waiver to a dual credit student often depends on its tax base. Colleges in tax poor areas, for example, are less likely to afford tuition waivers than those in tax rich areas. Interestingly, universities are less likely to offer tuition waivers to dual credit students than are community colleges.

In addition to costs to the state and institutions, there often are costs for the

students who take the dual credit course. These costs most often comprise tuition, fees, and textbooks. Again, however, costs vary across districts and are subject to the memoranda of understanding between the institution offering the credit and the school district. According to Dr. Rey Garcia, 24 percent of community colleges charge full tuition to dual credit students, 38 percent offer partial waivers, and 28 percent offer full waivers. General academic institutions currently offer fewer tuition and fee waivers to dual credit students than their two-year counterparts. Similar to tuition waivers, whether students have to purchase their own textbooks for dual credit courses varies according to the individual agreements between districts and institutions. The Texas Education Code currently states that the school district is not required to pay a student's tuition or other associated costs for taking a dual credit course. If this portion of the statute is allowed to expire, the independent school districts will be required to pay a student's costs, including tuition, fees, and textbooks, when the student takes dual credit courses.

Funding for Dual Credit Courses

Costs and savings to the state relate primarily to funding. Texas funds dual credit on two fronts. First, it funds the local school districts by counting dual credit students toward the Average Daily Attendance (ADA). Second, it funds colleges and universities for dual credit students, based on contact or attempted semester credit hour formula funding.

Several witnesses testified that funding the school districts and colleges facilitates significantly more integration and collaboration and precludes competition and infighting caused by funding either colleges or school districts. What's more, as noted through some testimony, if the state funded only school districts or only higher education, it would deincentivize the unfunded party from participating fully in the dual credit system.

There was some concern regarding the viability of and philosophy behind funding both ADA and semester credit/contact hours. Primarily, the philosophical issue was one of whether a person considers dual credit coursework to be centered in higher education or in secondary education. The viability issue arises given the expected budgetary shortfall and whether the state should continue to fund both ADA and semester credit/contact hours. Regardless of funding, all witnesses agreed that the state receives significant savings from encouraging dual credit.

Various witnesses described some of the savings Texas enjoys from utilizing dual credit coursework. These include, for example, developmental education savings, paying a lower formula funding rate when dual credit students attend community

colleges, savings associated with a shorter time to graduation, and cost efficiencies achieved when a student begins college with significant college credit.

Funding for dual credit courses flows from the state to both school districts and higher education institutions. Some witnesses also noted that the state should consider adopting a unified state policy concerning funding and costs (*e.g.*, tuition and waivers) to address equity issues in the system. These equity issues essentially mean that those community colleges that are tax poor cannot offer tuition waivers to many students. Without these waivers, many low-income students cannot participate in dual credit. This lack of equity, however, is a product of the local control philosophy that Texas uses when addressing community colleges and school districts. A single, uniform statewide funding and tuition program would compromise this concept of strong local control. Several witnesses also recommended that, at a minimum, Texas must maintain current levels of funding for dual credit to remain a national leader.

Quality of Dual Credit Courses

A significant portion of testimony focused on the rigor and quality of dual credit courses. To ensure quality, some college presidents require that all dual credit coursework take place on their colleges' campuses, using their faculty, and that the syllabus, assignments, and exams mirror those that are required in undergraduate courses. Some independent school districts do not have an institution of higher learning geographically close enough to allow for this type of arrangement. Instead, these schools often rely on distance education or utilize a qualified high school teacher to teach dual credit courses. The primary method to ensure quality concerning faculty for dual credit comes from the Southern Association of Colleges and Schools (SACS), the accrediting body for colleges and universities in Texas. According to Dr. Garcia, SACS requires a faculty member to, at a minimum, have a Masters degree plus 18 hours of graduate work in the discipline in which the faculty member teaches. As with all college level work, the academic department offering the course primarily is responsible for monitoring course and faculty quality.

Several witnesses, notably Ed Apodaca, Vice President, Student Services and Enrollment Management, University of Houston-Downtown; Dr. Ray Keck, President, Texas A&M International University; and Carey Israel, President, Collin College, agreed that it is important to have dual credit courses taught on college campuses. This arrangement not only helps ensure that the college and college faculty maintain control over quality, but also provides dual credit students with the full college experience. This experience includes participating in classes with

undergraduate students, having access to student services such as academic advising and the library, and becoming integrated into a college environment. This approach, however, is not available to all dual credit students, especially those who live in communities without geographic access to a community college or general academic institution.

Various witnesses provided suggestions regarding how Texas can ensure that dual credit courses are of college quality. Joel Vargas, for example, suggested that the college courses taught in high schools should match the comparable course taught at the college campus, including the same syllabus, assignments, and exams. He also suggested that the institution conferring the credit should set the qualifications of the faculty and establish expectations and provide support for collaboration and training. One example of this support is requiring orientation for faculty teaching dual credit courses. Regardless of the location of the course, Mr. Vargas indicated that access to student services, especially academic advising, is crucial to ensuring student success, most notably among at-risk students.

The question of course quality also impacts the transferability of dual credit courses. The Texas Higher Education Coordinating Board currently is working on several programs designed to help ensure the quality and, therefore, the transferability, of dual credit courses. One of their more comprehensive projects is to create learning outcomes for every course in the core curriculum, courses that are the most likely to be utilized in dual credit. After the adoption of learning outcomes, Dr. MacGregor Stephenson, Texas Higher Education Coordinating Board, suggested that dual credit courses should be required to meet these learning outcomes prior to receipt of formula funding.

Dr. Stephenson also testified that legislation was necessary to ensure a standardized dual credit crosswalk, which would create consistency with regard to how high schools award credit earned from dual credit coursework. Currently, for example, if a student takes English 101 as a dual credit course, one high school may apply that credit toward English III, while another may apply it toward English IV or creative writing. Dr. Stephenson also noted that the state should consider exempting credit earned through dual credit from the Texas Essential Knowledge and Skills (TEKS) standards and end-of-course exams mandated by statute. He added that TEKS and end-of-course exams, when applied to dual credit courses, could cause problems with institutions receiving accreditation from SACS. This problem will become more exasperated as dual credit courses continue to increase in popularity.

A primary concern related to the dual credit quality issue is whether and how dual credit courses transfer from one higher education institution to another. If a student takes a dual credit course offered, for example, through their local community college, is graduated from high school, and then seeks to have that course credit transfer to The University of Texas at Austin, there may be questions about whether the credit is accepted and, if so, whether it applies to his or her major. Some higher education institutions have databases that allow students to determine how, and if, their dual credit courses transfer.

Recommendations

The Senate Higher Education and Senate Education Committees make the following recommendations regarding dual credit to the 82nd Legislature:

01. Require the Higher Education Coordinating Board in conjunction with higher education institutions to crosswalk dual credit courses with high school courses to develop a course credit equivalency matrix.
02. Require the Higher Education Coordinating Board to complete content standard reviews of core higher education courses offered as dual credit.
03. Require the Higher Education Coordinating Board to study students' progress from dual credit courses through upper level courses to determine whether satisfactory completion of the course offered in that particular setting translates to future success in higher education.
04. Require the Higher Education Coordinating Board to develop a statewide audit system that links courses offered by various institutions across the state to expedite and illuminate credit transfers between institutions.
05. Encourage all students enrolling in a dual credit course to participate in student orientation at the college.
06. The Higher Education Coordinating Board should ensure that credit earned through dual credit, including Early College High School, do not impact negatively a student's opportunity to qualify for B-on-Time, TEXAS Grant, or the tuition rebate program.
07. Require colleges and universities offering the dual credit course to provide the same academic services to dual credit students as they do to undergraduate students.
08. The Texas Education Agency and the Higher Education Coordinating Board should place on their respective websites examples of "best memoranda of understanding" between school districts and colleges and universities.
09. The Legislature, the Texas Education Agency and the Higher Education Coordinating Board should encourage all textbooks used in dual credit courses to be offered through open source materials.
10. Specifically authorize universities to put courses on the Virtual School Network.
11. Specifically authorize students to take any authorized subject matter course from any provider on the Virtual School Network regardless of what region the student resides.
12. The Texas Education Agency shall, by May, 2013, end the practice of providing waivers to school districts that do not provide a minimum of 12 hours of college credit.

13. The Legislature should consider not funding Average Daily Attendance for dual credit and instead fund Semester Credit Hours or Semester Contact Hours. The providing institution and school district are expected to come to an agreement concerning cost sharing when a qualified high school teacher teaches a dual credit course on a high school campus.
14. Texas should encourage, whenever possible, that students taking dual credit courses do so on a college campus, with college faculty, using college syllabi, assignments, and exams. If a dual credit course is taught by a high school teacher, the teacher must first successfully complete a professional development course developed by the Texas Higher Education Coordinating Board in conjunction with institutions of higher education.
15. The Texas Education Code should be amended to require the Texas Education Agency and the Texas Higher Education Coordinating Board to develop a methodology, to be effective by July 1, 2013, for incorporating dual credit courses that replace courses subject to end-of-course exams, into the state's K-12 accountability system.

Charge Nine--Legislation Oversight

Monitor the implementation of legislation addressed by the Senate Committee on Higher Education, 81st Legislature, Regular and Called Sessions, and make recommendations for any legislation needed to improve, enhance and/or complete implementation. Specifically, focus on the following, as well as tuition legislation:

HB 51 relating to emerging research Tier 1 universities;

SB 175 relating to top ten percent.

Background/Legislation

The 81st Texas Legislature (2009) considered several important bills relevant to oversight, specifically, House Bill 51, Senate Bill 175, and tuition regulation. All three issues received significant news coverage during the 81st Legislative session, especially regarding their related issues of research, access, and cost.

House Bill 51

HB 51, *relating to measures to enhance and maintain the quality of state universities*, was a major higher education bill that created a pathway for seven emerging research universities to achieve national research university status. What began as a bill that focused on these seven institutions developed into a more significant bill that addressed excellence for all public universities in Texas.

What became HB 51 developed from several Senate and House bills, each of which unanimously passed their respective chambers. Senate Bill 9 and Senate Bill 1560 incorporated into HB 51 the Texas Research Incentive Program and the National Research University Fund to support emerging research universities. The programs provided matching funds to assist emerging research universities into leveraging private gifts to enhance research productivity and faculty recruitment. Additionally, the bills provided funding for emerging research universities to achieve prominence as a national research university and established eligibility requirements for these funds. Having additional national research universities will allow Texas to acquire research funding, venture capital, top students, and top faculty, researchers, and scientists.

Highlights of the legislation include requiring long-term strategic plans for each research and emerging research university, authorizing tuition revenue bonds for renovations related to Hurricane Ike, establishing funding criteria and incentive grants for excellence programs, allocating the annual \$262.5 million from the Higher Education Fund to authorized institutions for FY 2011-2015, codifying provision of performance incentive funding to universities based on at-risk student enrollments and graduation rates of students in high-need fields, moving the constitutionally funding dedicated Higher Education Fund to the National Research University Fund, specifying criteria for institutions to be eligible for proceeds from the fund, creating the Research University Development Fund to support the development of national research institutions based on research expenditures, creating the Texas Research Incentive Program to support the development of national research institutions based on matching certain gifts, creating a select interim committee to study the feasibility of collecting data, and directing the Texas Higher Education Coordinating Board (THECB) to study and make recommendations regarding the definitions and categories of research expenditures used for determining eligibility for the Research University Development Fund.

In essence, HB 51 provides a path by which an eligible university may achieve national research status and also provides funding mechanisms to achieve that status. The three funding programs are the National Research University Fund (NRUF), the Research University Development Fund (RUDF), and the Texas Research Incentive Program (TRIP). RUDF funding is set to flow to eligible institutions in 2012 and will be distributed based on research expenditures. The Legislature made \$25 million per year in TRIP funding available for 2010 and 2011 to match certain gifts and endowments made at eligible institutions. The NRUF will provide funding for research support at eligible institutions when those institutions meet certain criteria, but not before 2012.

Senate Bill 175

The Legislature also passed SB 175, *relating to the automatic admission of undergraduate students to certain general academic teaching institutions*, otherwise known as the Top Ten Percent Law. Texas law requires that each public general academic institution in Texas admit automatically applicants who graduate from Texas high schools in the top ten percent. SB 175 authorized The University of Texas at Austin to place a cap on the number of students admitted under the Top Ten Percent Law. The institution is not required to admit students under the Top Ten Percent Law in excess of 75 percent of capacity for first-time resident undergraduates. What's more, out-of-state students cannot make up more than 10 percent of the top 10 percent admissions.

Tuition

Tuition and the rising cost of attending higher education institutions also are topics receiving significant interest. There are three types of tuition: statutory, designated, and board-authorized. Statutory tuition is a tuition charge authorized under the Texas Education Code and currently is set at \$50 per semester credit hour for resident students attending universities. Designated tuition is additional tuition that an institution's governing board considers necessary for the operation of the institution. In 2003, HB 3015 allowed higher education governing boards to set different designated tuition rates, effectively deregulating tuition in Texas. Board authorized tuition is additional tuition institutions may charge graduate students.

In addition to tuition, students also are responsible for paying fees and other charges. The fees may be composed of mandatory fees, which are authorized by statute or the governing board and are charged to a student upon enrollment; or course fees, which are fees required of students enrolled in a particular course. What's more, students often are required to pay for on-campus housing, textbooks, a meal plan, transportation, or other costs.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on August 19, 2010. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Woody Hunt, Chair, Governor's Business Council
- Guy Bailey, PhD, President, Texas Tech University
- Renu Khator, PhD, Chancellor and President, The University of Houston
- Veldon Lane Rawlings, PhD, President, The University of North Texas
- James Spaniolo, President, The University of Texas at Arlington
- David Daniel, PhD, President, The University of Texas at Dallas
- Diana Natalicio, PhD, President, The University of Texas at El Paso
- Ricardo Romo, PHD, President, The University of Texas at San Antonio
- Bill Powers, President, The University of Texas at Austin
- Susan Brown, Assistant Commissioner for Planning and Accountability, Texas Higher Education Coordinating Board
- Dan Weaver, Assistant Commissioner of Business and Support Services, Texas Higher Education Coordinating Board
- Susan Sherman, Analyst, Legislative Budget Board
- Christopher Covo, Student Regent, The Texas State University System

Findings/Analysis

The issues of tuition, research and access to higher education were addressed via testimony in Charge Nine. The Senate Higher Education Committee received testimony concerning the impact of rising tuition, how previous legislation incentivized private donations for university research, and ensuring that all students have access to Texas' top public universities.

House Bill 51

Dr. Raymund Paredes, Commissioner of the Texas Higher Education Coordinating Board noted the significant funding increases the 81st Legislature provided to higher education programs, including TEXAS Grants and establishing the research programs at seven higher education institutions. HB 51, he noted, created a variety of programs designed to incentivize competition between the seven emerging research institutions, along with programs designed to leverage private gifts.

The Texas Research Incentive Program (TRIP) was appropriated \$50 million, which the seven emerging research institutions vied for by raising matching funds from gifts or private endowments. The program was very successful in helping these institutions acquire private and state research dollars, to the point of oversubscription. Despite TRIP's success, the program was subject to the 5 percent budget reductions required by most state programs, thereby decreasing the overall funding from \$50 million over the biennium to \$47.5 million. Woody Hunt, Chair of the Governor's Business Council said that the incentive funding program is very important and that it energizes private charitable matching funds. Dr. Paredes testified that investments in these research programs are critical for the future of Texas, specifically in ensuring Texas stays competitive in high-education, high-paying jobs.

According to Dr. Paredes, the THECB is still drafting the rules that will govern the distribution of funds from the National Research University Fund. He said that his agency is working on the definitions for measuring high quality faculty and to define what constitutes high quality graduate programs. Dr. Paredes also stated that the Texas Higher Education Coordinating Board likely will need guidance from the Legislature regarding the National Research University Fund (NRUF) distribution methodology. NRUF funding may be distributed to a university if the institution has restricted research expenditures in excess of \$45 million and meets four of the following criteria: at least a \$400 million endowment; at least 200 PhDs annually; a freshman class with high academic achievement; membership in the Association of Research Libraries, Phi Beta Kappa, or equivalent national recognition; high

quality faculty; and a commitment to high quality graduate education.

The presidents of the seven emerging research institutions also provided testimony. The institutions are: The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas at San Antonio, Texas Tech University, the University of Houston, and the University of North Texas. Each of the presidents discussed the importance of HB 51 and how the bill has influenced the institutions to become more productive and excellence-oriented and has invigorated faculty, staff, and students. The private funds provided to the institutions via gifts and TRIP matching funds, according to the presidents, will be used to make strategic academic hires, fund innovative research, increase graduate student enrollment, and increase funding for undergraduate research.

Senate Bill 175

Bill Powers, President of The University of Texas at Austin (UT), provided testimony regarding Senate Bill 175 and its impact on his institution. Most of the impact of SB 175 will begin starting with the Fall, 2011, freshman class. In establishing the procedures required by SB 175, Mr. Powers noted that high school students who graduate in the top 8 percent of their high school class would be eligible for automatic admissions to UT. In response to ensuring geographic diversity in its student body, UT is opening admission centers in Laredo and El Paso in 2011, which is in addition to centers opened in Lubbock and Longview in 2010. The institution also is increasing marketing, outreach, and recruiting low-income and first-generation students as well as Hispanic and African American faculty members.

Tuition

Dan Weaver, Assistant Commissioner for Business and Support Services at the Texas Higher Education Coordinating Board, provided testimony about tuition at Texas public higher education institutions. Mr. Weaver stated that tuition and fees at Texas' four-year institutions match national averages. For example, Association of American University peers charge \$8,437/year while The University of Texas at Austin and Texas A&M University average \$8,435/year. What's more, the cost of attending a comprehensive university in Texas is comparable to the national average. The cost of tuition and fees at community colleges, however, is much lower in Texas, averaging \$1,750/year compared to the national average of \$2,793/year. Notably, however, the median household income in Texas is approximately \$4,000 lower than the national average, meaning that, compared to other states, a larger portion of a family's income is dedicated to paying for higher education.

As states have faced increasingly tight budgetary environments, many have cut appropriations to higher education. This has resulted in sometimes significant tuition increases. If Texas is unable to continue funding higher education institutions at a level consistent with increases in enrollment, it should come as no surprise when the same institutions increase tuition to make up for the lost state revenue. As a result of tuition increases, state and federal financial aid are not able to keep up with the cost of attendance and more students must take out student loans, or forego college all together.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding legislation oversight to the 82nd Legislature:

01. If funding is reduced, the Legislature should consider the overall level of state funding for higher education in any consideration of legislation regarding tuition increases.
02. The Legislature should fund fully the Texas Research Incentive Program and continue the program for the next biennium.
03. The Texas Higher Education Coordinating Board, in consultation with the emerging research institutions, should provide recommendations to the Legislature to develop distribution methodologies for the National Research University Fund.
04. General academic institutions should be encouraged to continue programs designed to increase geographic diversity of their student bodies.

Conclusion

The Senate Higher Education Committee (SHEC) was charged by Lieutenant Governor David Dewhurst to address a wide variety of higher education topics, ranging from financial aid and endowments to national research universities and cost drivers. Through seven hearings, more than 120 witnesses, and hours of testimony, the SHEC analyzed these topics.

Despite the significant variation in the charges, one theme ran throughout nearly every hearing: Higher education is an investment in Texas' future. This investment can be viewed through the lens of higher education as an economic driver, critical to the workforce of a knowledge-based economy, and the producer of an educated workforce. Alternatively, the investment in higher education can be viewed as an investment in cultivating a generation of persons who think critically, act rationally, and engage in positive civic behavior. Persons who obtain a higher education credential often earn more money, are healthier, vote more often, and commit fewer crimes than persons without that credential. The benefits of higher education, whether economic or cultural, health-related or scientific, far outweigh the investments.

It is during times of economic turmoil that priorities are determined. Higher education should remain a top priority for Texas. The state has made significant strides regarding higher education over the last decade, including greater student participation in higher education, investments in establishing national research universities, ensuring low-income students have access to Texas universities, and bridging the gap between K-12 and post-secondary education. If Texas wants to remain internationally competitive, ensure a healthy and thoughtful population, and cultivate a new generation of critical thinkers, a strong investment in higher education is required.

The Senate of The State of Texas

COMMITTEES:

CRIMINAL JUSTICE, VICE-CHAIR
HIGHER EDUCATION, VICE-CHAIR
HEALTH & HUMAN SERVICES
JURISPRUDENCE
TRANSPORTATION & HOMELAND SECURITY
SELECT COMMITTEE ON REDISTRICTING
TEXAS SUNSET ADVISORY COMMISSION



JOAN HUFFMAN
DISTRICT 17

December 1, 2010

The Honorable Judith Zaffirini
Chair, Senate Committee on Higher Education
P.O. Box 12068
Austin, Texas 78711

Dear Chairwoman Zaffirini:

Thank you for your leadership as Chair of the Senate Committee on Higher Education and dedication to improving higher education. I am grateful to have the opportunity to serve with you on the Committee and appreciate your staff for their tireless work during the interim and on the exceptionally comprehensive Interim Report to the 82nd Legislature.

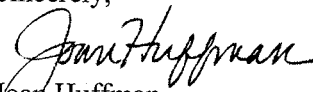
The Senate Committee on Higher Education's Interim Report to the 82nd Legislature provides extensive background and information on the most important policy issues affecting the quality of higher education in Texas. I support the innovative recommendations to help the state achieve the goals of Closing the Gaps by 2015 by improving the access to higher education for tomorrow's students.

However, I do have a few general policy concerns I would like to bring to your attention. While the Texas Legislature has the daunting task of balancing the state's budget during a structural shortfall, our families and friends continue to endure tough economic times. I remain concerned about the rising cost of achieving a college education for all students, and urge institutions of higher education to first look at ways to decrease their operational costs before making the decision to increase tuition and fees. Additionally, it is important for the Legislature to be pragmatic when increasing unfunded mandates and costly studies while also requiring institutions to reduce base budgets.

Lastly, in an effort to be responsive to local institutions, I would like to reiterate the importance of the role local community colleges play in delivering quality dual credit options in a classroom setting for Texas high school students. Alternative delivery methods, such as virtual courses, at the high school level may have a function in providing dual credit, but this issue needs to be looked at in greater detail in order to ensure excellence and that duplication of resources does not occur.

Again, thank you for your work during the interim and continued leadership on higher education issues. I am excited to work together as we address the issues impacting higher education in Texas.

Sincerely,


Joan Huffman



CAPITOL OFFICE:
ROOM GE.5
P.O. BOX 12068
AUSTIN, TEXAS 78711
(512) 463-0117
(512) 463-0639 FAX

HOUSTON OFFICE:
6217 EDLOE
HOUSTON, TEXAS 77005
(713) 662-3821
(713) 682-3842 FAX

LAKE JACKSON OFFICE:
129 CIRCLE WAY
SUITE 101
LAKE JACKSON, TEXAS 77566
(979) 480-0994
(979) 480-9122 FAX



CHRIS HARRIS
District 9

*The Senate of
The State of Texas
Austin 1871*

2001 EAST LAMAR BLVD.
SUITE 150
ARLINGTON, TEXAS 76006
(817) 461-9109
FAX (817) 469-9652

522 SOUTH EDMONDS
SUITE 200
LEWISVILLE, TEXAS 75067
(972) 436-1001
FAX (972) 436-9829

CAPITOL STATION
P.O. BOX 12068
AUSTIN, TEXAS 78711
(512) 463-0109
FAX (512) 463-7003

DIAL 711 FOR RELAY CALLS

December 1, 2010

The Honorable Judith Zaffarini
Senate Committee on Higher Education
P.O. Box 12068
Austin, Texas 78711-2068

Dear Chairwoman Zaffarini:

Thank you for your dedication to improving the higher education system for the state of Texas and for your leadership of the Senate Committee on Higher Education. Your hard work is clearly displayed in the 81st interim report.

I am signing the report, but feel the need to clarify that I am not in support of all of the recommendations the committee will publish in this report. However, I sincerely look forward to working with you on these and many other important issues in the upcoming legislative session.

Thank you again for this opportunity to provide input on the committee's interim report. Please do not hesitate to contact me if you have any question.

Regards,

A handwritten signature in black ink that reads "Chris Harris". The signature is written in a cursive, flowing style.

Chris Harris





The Senate of The State of Texas

SENATE COMMITTEES:

CHAIRMAN
Intergovernmental Relations

MEMBER
Education
Finance
Health and Human Services
Higher Education

Senator Royce West
District 23

President Pro Tempore
2006

DISTRICT OFFICE:
5787 South Hampton Road
Suite 385
Dallas, Texas 75232
214/467-0123
Fax: 214/467-0050

DISTRICT OFFICE:
2612 Main Street, Suite 100
Dallas, Texas 75226
214/741-0123
Fax: 214/749-7830

CAPITOL OFFICE:
P.O. Box 12068
Austin, Texas 78711
512/463-0123
Fax: 512/463-0299
Dial 711 for Relay Calls

December 1, 2010

The Honorable Judith Zaffirini
Chairman
Senate Higher Education Committee
Sam Houston Building, Room 315
Austin, Texas 78701

Dear Chairman Zaffirini:

It has indeed been a pleasure serving with you on the Senate Higher Education Committee. Your leadership and advocacy has afforded me the opportunity to share my perspectives on the higher education issues we were charged with addressing, and for that I thank you.

Although the report provides many positive and forward thinking recommendations that will undoubtedly improve higher education in Texas, I find it necessary to submit a letter outlining concerns that I have with certain recommendations found in the report.

The upcoming session will be replete with deficit concerns that will dictate that we make decisions that will be unwelcomed and will herald many cuts. Yet in these times of economic hardship, I must stand to protect the higher education students of Texas and those who shoulder the financial responsibilities to keep them in school.

Therefore, I appreciate the changes made to the initial tuition recommendation found in Charge 9 (Legislation Oversight) that will now read:

If funding is reduced, the Legislature should consider the overall level of state funding for higher education in any consideration of legislation regarding tuition increases.

As we know, the "devil is in the details" and this change in verbiage will keep the Legislature actively engaged in the tuition-setting process in Texas and allow legislators to be responsive to their constituencies.



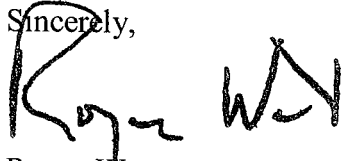
Education is the key to success for young Texans and for a successful Texas. We should not create measures that might hinder our students' accessibility to an affordable higher education. That is why I think it is imperative, given that TEXAS Grants have never been fully funded, that any funding model proposed be beneficial to all institutions, especially those that have provided higher education opportunities and unconditional support to our "best and brightest."

These institutions have championed "open door" policies that have admitted and graduated many of our leaders.

I submit this letter to lend a voice to my constituency, and citizens from across Texas who benefit from higher education. Therefore lastly, I express a concern regarding the need for specific language to address the accountability of for-profit institutions in light of abuses detailed in recent news reports associated with the certificate programs they offer.

As always, I appreciate your leadership of the Senate Higher Education Committee and your dedication to higher education in Texas.

Sincerely,

A handwritten signature in black ink that reads "Royce West". The signature is written in a cursive style with a large initial "R" and "W".

Royce West
State Senator
District 23



COMMITTEES:
STATE AFFAIRS, CHAIR
FINANCE
HIGHER EDUCATION
JURISPRUDENCE
NATURAL RESOURCES

ROBERT DUNCAN
STATE SENATOR
DISTRICT 28

December 1, 2010

The Honorable Judith Zaffirini
Chairwoman, Senate Higher Education Committee
P.O. Box 12068
Capitol Station
Austin, Texas 78711

Dear Chairwoman Zaffirini:

Thank you for your leadership and hard work on the important issues before the Senate Higher Education Committee this interim. The committee considered many issues that will be critical to the future of higher education and the State of Texas.

The reports prepared by committee staff provide an outstanding background on the topics examined and the recommendations proposed set out a positive course for discussion during the coming session. While I endorse most of the proposals made, I am not necessarily committed to all the recommendations. My signature on these reports is a reflection of my support for an ongoing discussion of these topics, however I do find it necessary to outline some of my specific concerns.

First of all, taking into consideration the budget challenges that we will face during the next session, I must cautiously consider each policy decision that would increase financial demands. To that end, a number of recommendations, if implemented, would appear to drive significant cost increases for both the state and the institutions of higher education. For this reason, I raise a point of caution regarding those particular recommendations.

Additionally, I specifically object to the following recommendation under Charge 7:

In order to insure transparency, the Texas Legislature should consider amending the Business Code to remove the public records exception for foundations' books and records.

This recommendation would, if enacted, have a potential chilling effect upon public university gift donors who wish to remain anonymous or who simply do not want their generosity noted in a public record. While transparency is laudable, those who wish to endow gifts upon our public universities should not be subject to potential abuse from those who may harvest such

LUBBOCK DISTRICT OFFICE:
1500 BROADWAY
SUITE 902
LUBBOCK, TEXAS 79401
(806) 762-1122
1-800-546-9928
FAX (806) 749-2828
DIAL 711 FOR RELAY CALLS

CHILDRESS DISTRICT OFFICE:
119 AVENUE B NW
CHILDRESS, TEXAS 79201
(940) 937-0909
(888) 887-7027
FAX (940) 937-6994
DIAL 711 FOR RELAY CALLS

CAPITOL OFFICE:
ROOM 3E.10
P.O. BOX 12068
AUSTIN, TEXAS 78711
(512) 463-0128
(800) 322-9538
FAX (512) 463-2424
DIAL 711 FOR RELAY CALLS

SAN ANGELO DISTRICT OFFICE:
36 WEST BEAUREGARD
SUITE 510
SAN ANGELO, TEXAS 76903
(915) 481-0028
1-800-558-9928
FAX (915) 655-2541
DIAL 711 FOR RELAY CALLS

information for unwelcomed solicitations. To the extent such legislation is considered, the identity of those who donate gifts to public universities should be exempt from disclosure.

Finally, I object to the following recommendation under Charge 9:

The Texas Higher Education Coordinating Board, in consultation with the emerging research institutions, should provide recommendations to the Legislature to develop distribution methodologies for the National Research University Fund.

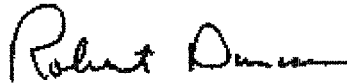
This recommendation could be interpreted to suggest that the Legislature should not take action on adopting an NRUF distribution methodology *until* the coordinating board has provided a formal recommendation.

The HB 51 (Education Code, Sec. 62.148) already authorizes the legislature to "consider the recommendations of the coordinating board, including recommendations on the appropriate elements and relative weights of elements of the (distribution) formula."

In the 18 months since the Governor signed this legislation, the Coordinating Board has taken no action to begin the process of developing this recommendation. While it is still possible that such a proposal could be made in time for consideration by the 82nd Legislature, their failure to do so should not preclude legislative consideration this session.

Again, thank you for your hard work and commitment to the endeavors of higher education. I look forward to a productive session.

Yours very truly,

A handwritten signature in black ink that reads "Robert Duncan". The signature is written in a cursive style with a long horizontal stroke at the end.

Robert Duncan

The Senate of The State of Texas



BRIAN BIRDWELL

November 30, 2010

Senator Judith Zaffirini, Chair
Senate Higher Education Committee
Sam Houston Building, Room 320
Austin, Texas 78701

Dear Chair Zaffirini:

Thank you for your leadership as Chair of the Senate Higher Education Committee. It is an honor to serve on the Committee with you, and I appreciate you graciously welcoming me to both the Committee and to the Texas Senate. The Interim Committee report is very well-done, and I commend you and your staff for creating such a fine document.

As you know, I began my term at the tail end of the interim period as I filled the unexpired term of former Senator Kip Averitt. Because of this, I was not in office for four of the seven interim committee hearings and therefore could not fully participate and contribute to the policy discussions that occurred in each of those hearings. I am happy to sign the report as it contains many excellent recommendations that undoubtedly will improve both the cost and quality of higher education in Texas. I would, however, like to submit this letter in addition to my signature.

I have only a few concerns about the report. First, I am hesitant to support any recommendation to fully fund any program or initiative in light of the state's current financial situation. Second, the report does not mention specifically the tuition waiver given to illegal immigrants. I oppose that particular practice and just wanted my opposition to be a matter of record. Finally, while I would not support a sweeping mandate that would force every university, despite their institutional differences, to manage their faculty a particular way, I want to make clear that I do believe the state legislature has an obligation to ensure that Texans are receiving the best possible service of tax dollars appropriated to our institutions of higher education.

Again, thank you for your tireless efforts towards improving the higher education system in Texas. I look forward to working with you on these important issues and more in the upcoming legislative session.

Sincerely,

Brian Birdwell



