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Making Opportunity Affordable

Policy Audit Report

April 2009

Texas Higher Education Coordinating Board

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Mission of the Coordinating Board

The Texas Higher Education Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions and other entities to help Texas meet the goals of the state's higher education plan, *Closing the Gaps by 2015*, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.

Philosophy of the Coordinating Board

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies. The Coordinating Board will engage in actions that add value to Texas and to higher education. The agency will avoid efforts that do not add value or that are duplicated by other entities.

The Texas Higher Education Coordinating Board does not discriminate on the basis of race, color, national origin, gender, religion, age, or disability in employment or the provision of services.

Support for this report comes from the Lumina Foundation for Education, which has generously supported the Texas Higher Education Coordinating Board for regional and statewide education and dissemination programs related to *Closing the Gaps by 2015.*

Executive Summary

Texas invests heavily in higher education. In the 2008-09 biennium, higher education accounted for 11.8 percent of the state's total "all funds" appropriation of $168 billion. The nearly $20 billion appropriation was a 17.1 percent increase over the previous biennium. In fall 2008, enrollment in all sectors of higher education in Texas was approximately 1.3 million students. Moreover, in Fiscal Year 2008, Texas public universities statewide awarded 76,498 bachelor's degrees; public two-year institutions awarded 37,009 associate's degrees and 18,754 certificates. The problem that the state faces is whether or not such investments will be sufficient to overcome gaps in overall educational attainment that will be necessary to become truly competitive in the global environment.

Integral to becoming globally competitive is meeting the needs of the state in terms of a population that has the education and skills required in high-need areas such as engineering, health, and technology. Approximately 25 percent of the Texas population over the age of 25 holds a bachelor's degree or higher, placing it below the national average of about 28 percent. Industries in Texas include electronic manufacturing and computer-related services as well as telecommunications and biomedical engineering. However, while Texas ranks 17th nationally in high-tech jobs as a share of total employment, it ranks 41st in degree attainment of the total workforce. The number of awards made will need to increase significantly to meet the goals of the state's master plan for higher education, *Closing the Gaps by 2015*, which was implemented in 2000.

It is important to determine how state policies are aligned with educational priorities as they have been put forth by state leaders. Over the years, the legislative focus on higher education has been on maintaining a balanced budget while continuing to invest in higher education. The state has pursued strategies that both provide incentives to improve educational outcomes and limit state liability for costs related to higher education as a whole. What is less clear is how these various policies relate to one another and how they contribute to an overall strategy that furthers the state's priorities and leads to accomplishment of the state's goals.

This report provides insights into policies related to undergraduate productivity in higher education in Texas, with specific emphasis on those that have been implemented to impact state costs, student access, and student success through degree attainment. It provides description and analyses of the state policies that are affecting how Texas is allocating limited resources related to cost per student enrolled and cost per degree awarded while considering issues related to increasing production of degrees in high-need areas. The comprehensive assessment of state policies will enable policymakers to ensure alignment with the overall goals and priorities of *Closing the Gaps*.

Policy Audit Summary

Tuition Deregulation at universities is designed to limit increases in state funding for higher education; however, higher levels of tuition may negatively affect degree production, particularly in high-need areas.

Incentive Funding is designed to increase graduation rates through funding improvement in teaching and educational excellence.

Limits on Fundable Hours have served to decrease state reimbursement funding for courses, but also may decrease degree completion when students reach the limits and may be required to pay higher tuition rates.

Incentives for Students provide financial aid to students in targeted ways. Some programs depend on state dollars while providing incentives to limit the number of excess courses students take for their degrees.

Secondary-Postsecondary Connections increase the likelihood that students begin higher education with some college-level courses, reducing both the time-to-degree and some state and student costs.

College and Career Readiness/Developmental Education initiatives are designed to ensure that students are able to successfully complete college-level course work (or enter the skilled workforce), decreasing the number of courses that students repeat due to poor performance.

Transfer policies include curriculum initiatives that reduce the need to repeat courses during the transfer process and enhance the potential for students to transfer into and complete high-need programs.

Methods of Delivery have the potential to reduce state costs. Although technology is changing instructional methods, Texas has not differentiated funding based on delivery methods.

High-Need Areas provide examples that demonstrate ways to improve degree output that may be applied to various fields of study.

Supply/Demand Pathway is designed to stabilize the expansion of higher education institutions and reduce costs to the state for infrastructure. It is based on the idea of placing a campus in areas of the state with proven demand. Its impact on high-need programs depends on which majors are offered at new institutions.

Table 1 provides a summary of key policies and their impact on three productivity goals: decreasing costs per student, decreasing costs per degree produced, and increasing the production of high-need degrees. A plus ("+") indicates that the policy promotes decreases in costs or increases in the production of degrees; a minus ("-") indicates that the policy tends to increase costs or decrease degree production; and a zero ("Ø") indicates that no impact on the area of concern is made by the policy. These analyses assume that the policy was implemented in a standard way statewide. Where variations exist, the impact may not be as high as intended by state legislation.

Table 1

SUMMARY OF POLICY ALIGNMENT WITH PRODUCTIVITY GOALS

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
Tuition Deregulation			
Tuition Deregulation	+	+	+/-
Incentive Funding			
Incentive Funding	+	+	Ø
Limits on Fundable Hours			
Developmental Education Hour Limits	+	+	Ø
Three-Peat Rule	+	+	Ø
Six-Drop Rule	+	+	-
Excess Hour Limit	+	+	-
Limits on Hours for the Bachelor's Degree	+	+	+
Incentives for Students			
TEXAS Grant Program	+	+/-	+
Texas Educational Opportunity Grant (TEOG)	+/-	+/-	+
Undergraduate Tuition Rebate	+	+	+
B-On-Time Student Loan Program	+/-	+/-	+

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
Secondary-Postsecondary Connections			
Mandatory 12 Hours of College Credit	Ø	+/-	+
Dual Credit/High School Transitions	+/-	+/-	Ø
Early High School Graduation Scholarships	+	+	+
Early College	+/-	+/-	Ø
Tech Prep	+	+	+
College and Career Readiness/Developmental Education			
Recommended High School Program	+	+	+
College and Career Readiness Standards	+	+/-	Ø
Texas Success Initiative	-	+/-	Ø
Summer Bridge/Intensive Summer Programs	+	+	+
Transfer			
Core Curriculum	+	+	+/-
Common Course Numbering	+	+	+/-
Field of Study	+	+	+/-
Reverse Transfer	+	+	Ø

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
Methods of Delivery			
Texas Course Redesign Project	+	+	Ø
High-Need Areas			
Associate of Arts in Teaching	+	+	+
Nursing	-	+	+
Engineering	-	+	+
Supply Demand Pathway			
Supply Demand Pathway	+/-	Ø	+/-

In general, state policies have provided ways to decrease state costs, but have had a mixed impact on the ability of institutions to increase the production of degrees, particularly those in high-need areas. Policy reforms will need to focus on ensuring that initiatives complement one another. An overall strategy needs to be defined that will both enhance degree production by eliminating certain barriers to students and institutions, as well as ensure that state funds are used to provide efficiency and effectiveness in undergraduate education.

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Introduction

National concerns about state economic competiveness in a global environment are reflected in Texas. This is especially significant not only because of the state's size—being second in population to California—but also its location, bordering Mexico and the Gulf of Mexico. Because of these factors, Texas must boldly confront current economic realities. In its January 2009 report, the Select Commission on Higher Education and Global Competitiveness[1] noted that Texas "faces a downward spiral in both quality of life and economic competitiveness if it fails to educate more of its growing population (both youth and adults) to higher levels of attainment, knowledge, and skills" (p. vii).

The Select Commission's report further points out that in order to achieve the vision of a dynamic economy that is competitive on a global level, Texas needs to be committed to both educating a highly skilled workforce and to expanding the economy so that full advantage can be taken of this workforce. Education must come first if the second is to be possible. The Select Commission's report also indicates that the low level of educational attainment in Texas is putting it at risk for meeting these goals. Educational attainment of the new wave of workers, those between 25 and 34 years of age, as measured by the percent of the population with bachelor's or associate's degrees, is 30.7 percent. This is lower than the U.S. average and that of other major countries in the global economy, including Japan, Korea, France, and Canada. Nationally, a further analysis of the gap between annual degrees produced and annual degrees needed to improve levels of educational attainment suggests that Texas has the highest gap of any of the 50 states.

To be able to increase the production of degrees, the state also must enroll increasing numbers of students in undergraduate education. However, the educational pipeline in Texas poses challenges. When ninth grade students are tracked, Texas is below the national average for high school students who enter college by seven percentage points—35.0 percent compared to 42.3 percent nationally. According to the Select Commission (2009), Texas has the highest percentage of any state of its adult population age 18-64 (19.8 percent) without a high school diploma or the equivalent. Moreover, Texas enrolls in college only 180.1 per 1,000 adults ages 25-39 who have a high school diploma, compared to a national average of 190.8.

All of these statistics reinforce concerns that the state must do better if it is to be competitive globally. This will require evaluating how state goals inform state policy and how (and to what extent) state policies reinforce these goals. This can only be accomplished through a comprehensive state policy review. Often well-intended policies have unintended consequences. Only when these consequences are articulated may the process of better aligning goals, policies, and outcomes begin. That is the purpose of the analyses summarized in this report.

[1] In connection with House Concurrent Resolution No. 159 of the 80th Texas Legislature, Regular Session, 2007, in mid-2008, Texas Governor Rick Perry, Lieutenant Governor David Dewhurst, and Speaker of the House of Representatives Tom Craddick created the Select Commission on Higher Education and Global Competitiveness with a charge to draft a Texas Compact that reflects a long-term vision and plan to attain specified education and economic goals by 2020.

This report considers state policy from several perspectives. First, legislation from the past four biennia was reviewed to identify those laws that impact higher education in general and, in particular, state policy regarding costs related to students, degree attainment, and high-need fields. All rules of the Texas Higher Education Coordinating Board were reviewed for the same purpose. The statutes associated with these legislative initiatives and Board rules were identified and analyzed in terms of the specific role they play in increasing or decreasing state costs related to higher education and the likelihood of meeting the goals of increasing degrees in areas of high need. Because the state does not have a personal income tax, no review of the tax code was included. Lastly, legal actions for the past 10 years were reviewed to determine if any court cases exist that affect the state policies under evaluation.

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Closing the Gaps by 2015: A Framework for the Future

In the mid-1990s, Texas' population demographics began to change. Growth in traditional minority populations, especially Hispanics, led to discussions and analyses of how these demographic shifts will change the state. A major focus was on higher education. Demographic projections suggested that the state would need to plan for dramatic changes in higher education in terms of who goes to college and what is needed to ensure successful program completion.

In October 2000, the Texas Higher Education Coordinating Board (Coordinating Board) adopted the Texas higher education plan, *Closing the Gaps by 2015*.[2] The goal of the plan is to close educational gaps within Texas and between Texas and other leading states by focusing on the critical areas of higher education participation, success, excellence, and research. The specific goals for the first two areas are:

- By 2015, close the gaps in participation to enroll 630,000 more students.
- By 2015, award 210,000 undergraduate degrees, certificates, and other identifiable student successes from high-quality programs.

To meet these goals, the state will need to enroll approximately 1.6 million students in higher education and make 210,000 awards in 2015.

Given demographic trends in Texas, *Closing the Gaps* places special emphasis on Hispanic student participation and success. The Hispanic population will account for nearly 80 percent of the population growth in Texas over the next half century. Between 2002 and 2007, the number of Hispanics obtaining bachelor's degrees, associate's degrees, or certificates grew by 61.3 percent. However, unless Texas continues to raise Hispanic educational outcomes, projections indicate that economic competitiveness and quality of life will decline in the state.

Increased enrollment occurs when institutions admit more students or improve retention of current students. Improving retention has the added impact of helping to increase the number of degrees and other awards.

In addition to identifying the number of degrees needed overall, the Coordinating Board identified the need to increase achievement in certain disciplines in which Texas is experiencing a critical shortage of qualified workers. The state must increase the number of students completing degrees in technology, including engineering, computer science, mathematics, and physical science; allied health and nursing; and the number of teachers initially certified through all teacher certification venues, especially in the fields of mathematics and science.

[2] Texas Higher Education Coordinating Board (2000). *Closing the Gaps by 2015: The Texas Higher Education Plan*, online: http://www.thecb.state.tx.us/ClosingTheGaps/default.cfm

Funding for Undergraduate Education at Texas Public Universities

Texas public universities that provide undergraduate education are designated as general academic institutions. General academic institutions have common goals of instruction, research, and public service. However, each has a unique set of academic offerings and a unique regional or statewide mission. There are 32 public four-year universities and three public two-year, upper-division universities in Texas. These institutions were appropriated $6.4 billion in state funding for the 2008–09 biennium. Fall 2008 enrollment at these institutions totaled 509,000 students.

General academic institutions receive direct appropriations via funding formulas and non-formula appropriations. Appropriations are made to institutions as a lump sum. The appropriations reflect how state funds are allocated, not how they must be spent. This means that, with a few exceptions, higher education entities are not required to spend appropriations within a specified funding strategy.

Nearly 53 percent of all state appropriations for general academic institutions are allocated via two funding formulas and two supplements: Instruction and Operations Formula; Teaching Experience Supplement; Infrastructure Formula; and Small Institution Supplement. The formulas and supplements are direct appropriations and are primarily based on semester credit hours. The Instruction and Operations Formula represents $3.2 billion for the 2008–09 biennium.

The formula is calculated as follows:

Semester Credit Hours x Program/Level Weight x Rate

Semester credit hours are a measurement of how many classes (and the number of students enrolled in those classes) an institution delivers based on the census date, which for a 16-week term is the 12th day of the semester. The program/level weight factors in cost differentials for variations in the costs of instruction by discipline (e.g., the arts vs. health sciences), as well as by upper- and lower-division courses. The formula calculation for a biennium uses a base period of semester credit hours. Because it is recalculated every two years, this base period lags behind actual enrollment by one or two years, usually the year of the legislative session.

Public universities also charge tuition to students based on individual institutional factors and budgets.

Funding for Texas Public Two-Year Institutions

Texas public two-year institutions include 50 community college districts (with multiple campuses), four Texas State Technical College campuses, and three public two-year, lower-division Lamar State Colleges. These institutions were appropriated $2.1 billion in state funding for the 2008–09 biennium. Fall 2008 enrollment at these institutions totaled 617,600 students.

State funding for Texas community colleges represents one of three major sources of revenue. In addition to tuition and fees from students, these institutions also receive local *ad valorem* tax revenue based on property values within their taxing jurisdiction. These taxes support facilities, which are not included in state support. Tax rates and tuition and fees are locally established by each college district. Tuition is generally based on semester credit hours, while fees may be related to credit, contact, or per capita basis hours.

State funds for community colleges are allocated through formula funding based on contact hours attempted by students as of the census date (which for a 16-week term is the 12th day of the semester) and reflect differences in the cost by discipline. A contact hour represents one hour of classroom time for one student, as opposed to a semester credit hour. The Coordinating Board conducts studies of costs by each institution for each discipline, and the appropriation is awarded to the colleges according to a percentage of those rates dependent upon the appropriated amount. The actual amount of the institutional appropriation is a legislative decision based on funds available. As state revenues have declined, the state's share of community college revenue has declined from 69 percent in 1984 to 33 percent in 2006.

The formula is calculated as follows:

Program Contact Credit Hours x Program Rate

Texas State Technical Colleges and Lamar State Colleges are funded by the contact hour formula funding and like the general academic institutions formula for facilities. They do not have taxing authority.

As enrollment at two-year colleges has surpassed that of four-year institutions, additional funding has been provided to those institutions. This funding is targeted to those institutions where enrollment is increasing the fastest and is based on actual growth in contact hours.

Tuition Deregulation

In an effort to acknowledge the diminishing level of state support available, in 2003 the 78th Texas Legislature passed a law to deregulate tuition at universities. Rather than tuition being set by the state, the law allows institutional governing boards to set tuition rates. In addition, differential rates are allowed for specific programs and course levels. A minimum tuition of $50 per semester credit hour at universities is set statewide. To lessen the impact of tuition deregulation on students, universities are required to set aside at least 15 percent of the amount of resident tuition in excess of $46 per semester credit hour. This set-aside is designated for financial assistance for students.

As a result of tuition deregulation, the statewide average for total academic charges for a student taking 15 semester credit hours at a public university increased by 58 percent from fall 2003 through fall 2008. This has caused the state to review the implications of the legislation and consider laws that will place limits on institutions' tuition rates.

Because tuition rates are based on state residency status, the state sets requirements for determining state residency for tuition purposes. These regulations are based on factors like graduating from a Texas high school or the length of time one has lived in the state.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state funding for state reimbursement
Decrease Cost Per Degree Produced (statewide)	+	Decreases state funding for state reimbursement
Increase Production of High-Need Degrees	+/-	If institutions charge different rates for high-need programs, degree production could be affected

Incentive Funding

In 2007, the 80th Texas Legislature appropriated $100 million for Fiscal Year 2009 to the Coordinating Board to establish a Higher Education Performance Incentive Initiative. The funding is for improvement in teaching and educational excellence at Texas public general academic institutions and a scholarship for Top 10 Percent students. Eighty million dollars was distributed to institutions for increases in degrees awarded, with special weights given to critical fields and at-risk students, and $20 million will be used to fund scholarships for students graduating in the top 10 percent of their high school class.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases costs for top 10 percent students
Decrease Cost Per Degree Produced (statewide)	+	Many institutions are using these funds for retention programs that will increase the rate of completion for students
Increase Production of High-Need Degrees	Ø	None

Limits on Fundable Hours

One mechanism used to reduce state formula funding has been to place limits on the number of hours meeting specific criteria that will be reimbursable.

Developmental Education Hour Limits

Under developmental education hour limits, the state will reimburse institutions for no more than 27 semester credit hours of developmental education at two-year institutions and 18 semester credit hours at universities. While it was designed to encourage institutions to provide more effective developmental education, it also impacts students. Institutions may pass on the cost of the non-reimbursable hours to students in the form of higher tuition. Some institutions choose to do this, while others prefer to absorb the cost rather than burden students who are already at risk.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state funding for developmental courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	Ø	None

Three-Peat Rule

The three-peat rule refers to limits of state reimbursement funding for repeated credit courses to a maximum of two. This law was designed to reduce the number of times students take the same course. The impact is greater on less expensive two-year institutions – because tuition is lower, students have less to lose by withdrawing from a class in which they are not doing well. Institutions may pass on the cost of the non-reimbursable hours to students in the form of higher tuition. Some intuitions choose to do this, while others do not.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for repeated courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	Ø	None

Six-Drop Rule

While taking undergraduate courses at public institutions, students may not drop more than six classes. This law was designed to limit state funding while expanding institutional capacity. If students drop fewer courses, these courses are open for other students to take. In addition, it reduces the time-to-degree. However, students in some academically-rigorous, high-need programs may drop classes and find it more difficult to complete their degree.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for repeated courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	-	Decreases degree completion when courses are dropped

Excess Hour Limit

The state will reimburse an institution for a maximum of 30 semester credit hours over the number of hours required for a baccalaureate degree. While this limits state reimbursement for classes, it may also discourage students from transferring into a high-need program.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for additional courses a student might take out of general interest
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	-	Decreases degree completion if students with excess hours do not transfer into high-need programs, especially from community colleges

Limits on Hours for the Bachelor's Degree

Requirement for bachelor's degree programs may not include more than the minimum number of semester credit hours specified by the accrediting agency unless the institution can justify a compelling academic reason. By reducing course requirements, state funding is reduced and more students can be accommodated in existing institutions.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for required courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses needed and funded for a degree
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree based on direct and opportunity costs

Incentives for Students

In addition to providing financial aid to needy students, Texas has attempted to leverage its state financial aid by developing programs that encourage students to graduate within a set amount of time or with a limited number of hours in excess of those typically required for a degree.

TEXAS Grant Program

Started in 1999, the TEXAS Grant Program is the state's financial aid centerpiece. Eligibility is determined by financial need and completion of the college-preparatory Recommended High School Program. Students also must meet the academic standards of the higher education program in which they are enrolled. Recipients receive a grant to cover tuition and fees for up to 150 semester credit hours, six years, or until the student receives a bachelor's degree, whichever comes first. This program's success is measured by the fact that students receiving the grant persist and succeed at essentially the same rate as those who do not, even though they come from low-income families and communities.

Data from the Coordinating Board suggest that the effectiveness of the TEXAS Grant Program would be enhanced if funding were increased to meet the needs of additional eligible students.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for developmental courses by requiring students to complete the Recommended High School Program
Decrease Cost Per Degree Produced (statewide)	+/-	Decreases number of courses needed and funded for a degree, but allows students to take up to 150 semester credit hours over six years
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree based on direct and opportunity costs

Texas Educational Opportunity Grant

The Texas Educational Opportunity Grant (TEOG) was created in 1999 for community college students who are Texas residents and who demonstrate financial need. Students who meet program academic standards can receive awards for up to 75 semester credit hours, for four years, or until they receive an associate's degree, whichever comes first.

Only 4 percent of eligible students receive a grant. The Coordinating Board's analysis of the current funding of $7 million per year indicates that it is inadequate, given that approximately 70 percent of new students enrolling in Texas higher education are expected to enroll initially at two-year institutions.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+/-	State funds are used to provide grants to students to pay for courses but provides incentives to complete courses by limiting the number of hours that will be funded
Decrease Cost Per Degree Produced (statewide)	+/-	Increases likelihood of degree completion by promoting standards of academic progress including hours completed and grade point average
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree by reducing direct costs

Undergraduate Tuition Rebate

Students who graduate with no more than three semester credit hours beyond the minimum required for their degree are entitled to a $1,000 tuition rebate from their institution. Funds for these rebates are not reimbursed through appropriations from the state.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for required courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree based on direct and opportunity costs

B-On-Time Student Loan Program

The B-On-Time Student Loan Program provides forgivable loans to full-time undergraduate students who maintain a high academic standard and graduate within four calendar years. Loans convert to zero-interest if the student does not meet the forgivable loan requirements. Depending on funding levels, priority is given to students with demonstrated financial need who enroll in a program leading to a bachelor's degree within 12 months after the month in which the student received an undergraduate certificate or an associate's degree. Students can receive these loans for up to 150 semester credit hours or the equivalent, as long as they satisfactorily meet institutional academic progress requirements.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+/-	Increases costs related to loan subsidies, but limits state funding for required courses
Decrease Cost Per Degree Produced (statewide)	+/-	Decreases number of courses funded for a degree, but allows students to receive loans for up to 150 semester credit hours
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree based on direct and opportunity costs

Secondary-Postsecondary Connections

The importance of the student pipeline from high school to college has been part of the Texas legislative agenda. Increasingly, high school is seen as a way to reduce educational costs to the state related to higher education. With concerns about the educational pipeline foremost in discussions of educational attainment, secondary-postsecondary connections are key to meeting state goals through the development of a comprehensive policy strategy. The effectiveness of these connections can serve to reduce costs and improve educational outcomes.

Mandatory 12 Hours of College Credit

In 2006, legislation was passed mandating that every school district implement programs that enable students to earn the equivalent of 12 semester credit hours of college credit while they are still in high school. Colleges and universities are required to assist in the implementation process. These credits can be awarded through dual credit, advanced placement, and international baccalaureate programs.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	Ø	None
Decrease Cost Per Degree Produced (statewide)	+/-	Credits awarded through advanced placement and international baccalaureate lower state reimbursement while dual credits are cost-neutral for students attending public institutions but increases state costs for those attending private or out-of-state institutions
Increase Production of High-Need Degrees	+	Could encourage students to enter high-need fields if they have appropriate coursework

Dual Credit/High School Transitions

Students enrolled in dual credit courses receive credit towards high school graduation and college degrees. Many of these classes are offered in the high school as part of the regular school day. State reimbursement is allocated for dual credit courses. Since students would take these courses at some point, dual credit classes are cost-neutral for students attending public institutions but increase state costs for those attending private or out-of-state institutions. However, ensuring that students are college ready may reduce state costs related to instruction.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+/-	Cost-neutral for students attending public institutions but increases state costs for those attending private or out-of-state institutions
Decrease Cost Per Degree Produced (statewide)	+/-	Cost-neutral for students attending public institutions but increases state costs for those attending private or out-of-state institutions
Increase Production of High-Need Degrees	Ø	None

Early High School Graduation Scholarships

The Early High School Graduation Scholarship Program provides financial aid to students who complete high school in no more that 36 consecutive months and graduate with the Recommended or Advanced High School curriculum.

Impacts of Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for developmental courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a degree based on direct and opportunity costs

Early College

Early College programs provide the opportunity for high school students to participate in specialized college programs while enrolled in high school. Students complete up to 60 semester credit hours of an associate of arts degree in conjunction with a community college. Colleges receive state reimbursement for classes taken by these students, but no tuition is charged.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+/-	Cost-neutral for students attending public institutions but increases state costs for those attending private or out-of-state institutions
Decrease Cost Per Degree Produced (statewide)	+/-	Cost-neutral for students attending public institutions but increases state costs for those attending private or out-of-state institutions
Increase Production of High-Need Degrees	Ø	None

Tech-Prep

Texas participates in the national Tech-Prep program in which students take certain courses that may be transcripted for credit when they attend college. Students must request that the credits be transcripted. These courses are articulated with a community college or technical institute. It is unclear to what extent this program is effective in its efforts to promote high school completion and enable students to begin higher education college ready.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state funding for developmental courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases number of courses funded for a degree
Increase Production of High-Need Degrees	+	Could encourage students to enter high-need fields if they have appropriate coursework

College and Career Readiness/Developmental Education

Nearly one third of all students entering higher education in Texas start without all of the basic skills in reading, writing, and mathematics necessary to successfully complete college-level work. Since the 1980s, Texas has allocated considerable effort and funds for initiatives designed to decrease the number of students required to take developmental education courses and to increase the effectiveness of developmental education for those who must start there. The failure to successfully complete required developmental education courses is a major factor in the state's low retention rates.

Recommended High School Program

The college-preparatory Recommended High School Program became the default curriculum for students entering public high schools in fall 2004. Beginning fall 2008, students who complete the Recommended High School Program are required to take four years each of the four critical areas: English, mathematics, science, and social studies. It is intended to ensure the preparedness of students who enroll in higher education.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases the need for developmental courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases the need for developmental courses
Increase Production of High-Need Degrees	+	Increases the ability of students to complete a rigorous degree

College and Career Readiness Standards

Graduating from high school with the knowledge and skills to begin college-level study is a state priority. Students who are not prepared must be assessed and complete developmental courses as outlined under the Texas Success Initiative. Developmental courses, with some limits, receive state reimbursement. In 2006, the Texas Legislature mandated the development of college and career readiness standards and incorporation of these standards into the secondary curriculum. These standards have been adopted and will be incorporated into the secondary curriculum over the next several years leading to improvement in student preparation.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Limits state funding for required courses
Decrease Cost Per Degree Produced (statewide)	+/-	Increases costs as funds are allocated for training and implementation; will decrease costs once standards are in place as students enter higher education with the skills to complete college-level work
Increase Production of High-Need Degrees	Ø	None

Texas Success Initiative (TSI)

Requiring the Recommended High School Program for all secondary education students with the incorporation of the college and career readiness standards into the curriculum will help prepare students for life and work, and for success in college. As a means to assess the preparedness of entering college students, the state-mandated Texas Success Initiative provides the Coordinating Board with the authority to set the standards for various assessments that determine college readiness. This initiative is designed to ensure that students are assessed and gain basic skills that would ensure student success in college.

The Texas Success Initiative has two components: 1) an assessment to diagnose students' basic skills in reading, mathematics, and writing; and 2) developmental instruction to strengthen academic skills that need improvement. While the state sets minimum assessment standards, institutions may set higher standards and implement its own policies regarding how students are assessed, the sequencing of courses, and the specific course curriculum. Efforts by the Coordinating Board to identify best practices are leading to a more rigorous evaluation of the effectiveness of developmental education at the institutional level.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	-	Increases the number of students required to take developmental coursework and thus the number of hours reimbursed
Decrease Cost Per Degree Produced (statewide)	+/-	Increases the total number of hours reimbursed, but should increase the number who attain degrees
Increase Production of High-Need Degrees	Ø	None

Summer Bridge Programs/Intensive Summer Programs

The purpose of Summer Bridge Programs is to assist high school graduates gain college readiness prior to enrolling in a post-secondary institution and to decrease the amount of developmental education required in a post-secondary institution. Intensive Summer Programs provide academic instruction for students at risk for dropping out of college and are intended to help students persist in higher education. Intensive Summer Programs increase the readiness of students already in college who may have met TSI requirements in one or two areas, and enrolled in college in those areas, but who have not met one or more remaining TSI requirements.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases the need for developmental courses
Decrease Cost Per Degree Produced (statewide)	+	Decreases the need for developmental courses
Increase Production of High-Need Degrees	+	Increases the ability of students to persist and complete a rigorous degree

Transfer

A key state issue has been the transfer pathway from community college to university. In its efforts to contain costs and increase the number of degrees awarded, Texas has implemented several initiatives designed to facilitate transfer.

Core Curriculum

Within a set of guidelines, each college and university is mandated to develop a fully transferable core curriculum that includes foundation courses in liberal arts, humanities, and sciences as well as political, social, and cultural history. Students who complete the 42 semester-credit-hour core at one institution are not required to complete the core at a transfer institution even if the course requirements are different. However, they may be required to take selective prerequisites for their major.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state reimbursement costs by ensuring that core courses do not have to be repeated at different institutions
Decrease Cost Per Degree Produced (statewide)	+	Decreases the cost of a degree by ensuring a transferable core curriculum
Increase Production of High-Need Degrees	+/-	Facilitates transfer from a community college by providing a standard core curriculum; can increase the cost and time-to-degree for transfer students in STEM fields who complete the core during their first two years, rather than completing required prerequisites for major courses

Common Course Numbering

Community colleges in Texas use a statewide numbering system for all courses, both academic and workforce. The *Academic Course Guide Manual* provides a pre-approved inventory of fully transferable lower-division courses offered at community colleges. This means that the first college-level English course has the same course content and course number wherever it is taken, making it easier for universities to identify course equivalencies and articulate transfer curricula. Course content is broadly defined by groups of faculty representing institutions across the state; however, detailed learning objectives are not included.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state reimbursement costs by ensuring that courses do not have to be repeated at different institutions
Decrease Cost Per Degree Produced (statewide)	+	Decreases the cost of a degree by standardizing academic transfer courses
Increase Production of High-Need Degrees	+/-	Facilitates transfer from a community college by providing a standard set of courses; however, learning objectives for courses may differ and lead some transfer students to be less prepared for rigorous upper-division courses in STEM fields at certain universities

Field of Study

Field of study curricula (FOSC) are designed to assist students by facilitating transfer of academic credit from institution to institution and promoting the efficient utilization of state higher education resources. It continues the state-level focus on facilitating the transfer of lower-division course credit among public colleges and universities throughout the state.

FOSC are developed by vertical teams of faculty representing community colleges and universities across the state. One of the provisions of the FOSC allows the transfer student to use a successfully completed group of state-approved, lower-division FOSC courses to substitute for lower-division course requirements in the college or university to which he or she transfers. A completed FOSC is transferable as a block, and must be accepted in lieu of the lower-division courses in the academic area of the specific major. Students who have completed a state-approved FOSC are not required to complete additional lower-division courses in their specific academic area before being allowed to register for upper-division courses in the major.

Initial recommendations were for as many as 37 majors to be developed as FOSC; to date 11 have been developed and approved. These majors were to be in high-demand fields, those areas that had produced at least 1,000 bachelor's-level graduates annually for five years. However, it has proven difficult to define these blocks of courses, particularly for high-need areas such as engineering that have a number of prerequisite course requirements.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state reimbursement costs by ensuring that courses do not have to be repeated at different institutions
Decrease Cost Per Degree Produced (statewide)	+	Decreases the cost of a degree by standardizing academic programs for transfer
Increase Production of High-Need Degrees	+/-	Has the potential to facilitate transfer from a community college by providing a standard set of courses, but most curricula in high-need areas have not yet been defined

Reverse Transfer

To reach the state's goals of increased participation and success in higher education, and to accommodate an increasingly mobile student population, Texas must have an efficient system to enable the appropriate transfer of academic credit from institution to institution. Reverse transfer permits the awarding of associate's degrees after students have transferred to a university. Courses taken at the university may be applied to the associate's degree.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state reimbursement costs by ensuring that courses do not have to be repeated at different institutions
Decrease Cost Per Degree Produced (statewide)	+	Decreases the cost of a degree by allowing community colleges to apply courses taken at the transfer institution to the associate's degree at the college
Increase Production of High-Need Degrees	Ø	None

Methods of Delivery

For a growing number of students, the opportunity for college success is being enhanced through distance education. The ability to take courses by means of electronic delivery is allowing many students who, whether because of geography or work schedule, would otherwise not be able to enroll in college to work toward a college diploma or other credential. Although technology is changing instructional methods, Texas has not differentiated funding based on how instruction is delivered. Classes that are offered on-line are included for state reimbursement at the same rate as those held in a classroom. By not having policies that provide incentives for offering classes in new formats, the state may be missing an opportunity to decrease costs and enhance program delivery.

Texas Course Redesign Project

One way that the state is beginning to incorporate alternative methods of delivering instruction is by supporting the course redesign initiative. Under this model, entry-level, lower-division academic courses are redesigned by infusing technology and modifying pedagogy and delivery systems to improve learning outcomes and potentially reduce costs. The initiative is guided by existing course redesign models and the work done through the National Center for Academic Transformation.

The goal of the Texas Course Redesign Project is to have widespread adoption of course designs that promote student success, especially in the critical first year of college. The long-term goal of the project is to see the redesign process lead to multiple models of successfully redesigned courses for a full freshman year of general education curriculum and developmental courses.

Since course development is done on a statewide basis, all institutions can offer these redesigned courses, limiting the costs.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases the cost of course development and delivery
Decrease Cost Per Degree Produced (statewide)	+	Increases student success by incorporating best practices in instructional delivery
Increase Production of High-Need Degrees	Ø	None, since the focus at this time is on entry-level, lower-division courses

High-Need Areas

Texas has addressed improving degree output in several high-need areas, including teaching, nursing, and engineering.

Associate of Arts in Teaching

The Associate of Arts in Teaching degree is an approved collegiate degree program consisting of lower-division courses intended for transfer to baccalaureate programs that lead to initial Texas teacher certification. There are three areas, which include 60-66 semester credit hours of coursework. These degrees can only be offered by public community colleges and are fully transferable to any Texas public university offering baccalaureate degree programs leading to initial teacher certification.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+	Decreases state reimbursement costs by ensuring that courses do not have to be repeated at different institutions
Decrease Cost Per Degree Produced (statewide)	+	Decreases the cost of a degree by allowing students to complete course work at lower-cost community colleges and then transfer to university programs
Increase Production of High-Need Degrees	+	Focuses on an area of high-need—teacher preparation

Nursing

Incentive funding has been provided to all institutions that increase the number of nursing graduates from one year to the next. Funds can be used to support faculty professional development and supplement faculty salaries.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	-	Increases state cost by providing institutional funding beyond the formula
Decrease Cost Per Degree Produced (statewide)	+	Decreases costs by providing enhancements to improve graduation rates
Increase Production of High-Need Degrees	+	Focuses on an area of high-need—nursing

Engineering

Texas responded in 2001 to industry requests for participation in efforts to increase the number of engineering and computer science graduates with a program that stimulated course redesign, laboratory enhancement, student mentorship programs, peer teaching, work study opportunities, learning communities, and outreach to secondary schools and community colleges through summer programs, teacher training, and curriculum alignment. The funding approach was joint funding through state appropriations, federal grant dollars, and joint industry cash and hardware-software donations. Since 2007, a separate, state-funded program concentrates on middle and high school summer programs and merit scholarships for engineering students.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	-	Increases state cost through targeted investments in initiatives for changes in engineering education approaches, student scholarships and work study, and mentor programs
Decrease Cost Per Degree Produced (statewide)	+	Decreases costs by addressing systemic pipeline issues of student preparedness and by increasing student success and persistence
Increase Production of High-Need Degrees	+	Increasing engineering graduates is approached as a pipeline issue that starts with students at the eighth grade level and requires sustained efforts through sophomore "gate keeper" courses

Supply/Demand Pathway

The Supply/Demand Pathway is a developmental approach to providing access to higher education that allows for the gradual increase of resources as demand grows, operating under the principle of avoiding overcommitment as well as undercommitment of state resources. It was initiated as a way to address anticipated large-scale enrollment demand in a specified region of the state and is the model to address higher education needs in areas without proximate geographic access to existing public higher education institutions.

The Supply/Demand Pathway provides an incremental sequence of events that allows for institutions to move toward establishing permanent campuses. First they must temporarily test the market, both in terms of demand and staying power, by providing off-campus courses and/or programs by one or more institutions. If successful, this may lead to creating a university center. Once a center has attained a full-time equivalent upper-level and graduate enrollment of 3,500 for four fall semesters, the institution may request a review of the status of the center and eventually recommend reclassification as a university to the Legislature.

Through this process, expansion of higher educational institutions should progress in an orderly way. The 3,500 full-time student equivalent standard approximates the headcount enrollment included in the current university funding formula as the minimum size needed to achieve economies of scale.

Impacts on Policy		
Decrease Cost Per Student Enrolled (statewide)	+/-	Increases the number of state funded institutions, but provides limits to growth based on a formula related to the economic viability of institutions
Decrease Cost Per Degree Produced (statewide)	Ø	None
Increase Production of High-Need Degrees	+/-	Depending on what programs are offered, may impact high-need areas

Summary and Conclusions

The review of higher education policies suggests that, while Texas has addressed many key issues, there are some gaps related to consistency and application when it comes to how the state addresses the goals of cost per student and cost per degree while improving the output of degrees in high-need areas. In the past, the state has been focused primarily on factors impacting costs, but with the new economic realities facing all states, Texas must focus attention on preparation of a workforce ready to handle such realities.

State Policies in Relation to State Priorities

State policies reflect a number of issues related to higher education that have been addressed legislatively over the years. Table 1 summarizes analyses of how the most significant state policies impact the three goals of decreasing costs per student, decreasing costs per degree produced, and increasing the production of high-need degrees. A plus ("+") indicates that the policy promotes decreases in costs or increases in the production of degrees; a minus ("-") indicates that the policy tends to increase costs or decrease degree production; and a zero ("Ø") indicates that no impact is made by the policy. These analyses assume that the policy was implemented in a standard way statewide. Where variations exist, the impact may not be as high as intended by state legislation. In general, state policies have provided ways to decrease state costs, but have had a mixed impact on the ability of institutions to increase the production of degrees, particularly those in high-need fields. Policy reforms will need to focus on ensuring that initiatives complement one another and reinforce state goals and priorities in a changing world.

Table 1

SUMMARY OF POLICY ALIGNMENT WITH PRODUCTIVITY GOALS

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
Tuition Deregulation			
Tuition Deregulation	+	+	+/-
Incentive Funding			
Incentive Funding	+	+	Ø

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
Limits on Fundable Hours			
Developmental Education Hour Limits	+	+	Ø
Three-Peat Rule	+	+	Ø
Six-Drop Rule	+	+	-
Excess Hour Limit	+	+	-
Limits on Hours for the Bachelor's Degree	+	+	+
Incentives for Students			
TEXAS Grant Program	+	+/-	+
Texas Educational Opportunity Grant (TEOG)	+/-	+/-	+
Undergraduate Tuition Rebate	+	+	+
B-On-Time Student Loan Program	+/-	+/-	+
Secondary-Postsecondary Connections			
Mandatory 12 Hours of College Credit	Ø	+/-	+
Dual Credit/High School Transitions	+/-	+/-	Ø
Early High School Graduation Scholarships	+	+	+
Early College	+/-	+/-	Ø
Tech Prep	+	+	+

Key Policies	Productivity Goals		
	Decrease Cost per Student Enrolled (statewide)	Decrease Cost per Degree Produced (statewide)	Increase Production of High-Need Degrees
College and Career Readiness/Developmental Education			
Recommended High School Program	+	+	+
College and Career Readiness Standards	+	+/-	Ø
Texas Success Initiative	-	+/-	Ø
Summer Bridge/Intensive Summer Programs	+	+	+
Transfer			
Core Curriculum	+	+	+/-
Common Course Numbering	+	+	+/-
Field of Study	+	+	+/-
Reverse Transfer	+	+	Ø
Methods of Delivery			
Texas Course Redesign Project	+	+	Ø
High-Need Areas			
Associate of Arts in Teaching	+	+	+
Nursing	-	+	+
Engineering	-	+	+
Supply Demand Pathway			
Supply Demand Pathway	+/-	Ø	+/-

Key Policies and Directions for the Future

One of the most significant policy changes made by the State of Texas in the last decade has been the implementation of tuition deregulation in 2003. Under the conditions of tuition deregulation, institutions may charge higher tuition for certain programs. While this change has resulted in significant containment of state funding for higher education, it also has potentially reduced (or at least not encouraged) degree production in high-need areas. If areas of high need (e.g., engineering) is more costly for students, it is possible that fewer highly qualified students may choose to major in these fields.

Ways to address this include providing scholarships directly to students in these majors, developing incentives for institutions in the form of subsidies for these programs, or implementing loan forgiveness for students who graduate with majors in high-need areas. Incentive funding has been included in recent state budgets, but it has not been leveraged to help increase the number of students completing degrees in specialized areas.

One of the primary vehicles that the state has used to reduce state formula funding has been to place limits on the number of fundable hours. These reduce the number of times students can repeat or drop courses, or place limits on the number of hours required for specific degrees. However, such limits tend to focus on individual areas of study rather than being comprehensive in nature. Moreover, their overall impact on higher education has not been studied systematically.

It is likely that these policies reduce state costs for higher education, but some of them also may reduce the number of students who graduate in high-need areas. For example, one policy limits the number of courses that students may drop to six courses during their entire undergraduate career. For students in high-need areas like engineering, this limit may make it difficult for students to complete degrees because they may be more likely to face academic challenges in highly rigorous science and mathematics courses. Policies that limit state reimbursement funding on the basis of the number of hours should be reviewed to determine what impact they are having on both state funding and degree production. If they are evaluated as a whole, a comprehensive set of policies can be developed that promotes both goals.

Texas also has implemented incentives for students. These are in the form of changes in the way financial aid is distributed. Many of these incentives require that high school students complete the Recommended High School Program, making them more likely to begin higher education ready for college-level work. This will tend to decrease state costs for reimbursement for developmental courses while preparing students to take on academically rigorous programs in high-need areas such as engineering and healthcare. It may also be possible to leverage student financial aid to provide additional incentives for students to enter high-need fields.

Another area of emphasis has been the creation of secondary-postsecondary connections. These connections emphasize the coursework that is applicable to requirements for high school graduation and college degree attainment, as well as financial incentives for early completion. Designed mainly to help decrease state costs, some of these policies also serve to encourage students to major in high-need areas. One of the most recent of these, the mandate that every school district provide opportunities for students to complete at least 12 semester credit hours

of college-level coursework prior to high school graduation, may increase the potential for students entering higher education to be better prepared for success in academically rigorous courses. Additionally, the Texas Legislature has called for the development of end-of-course examinations for secondary-level courses in Algebra I, Algebra II, geometry, biology, English I, English II, English III, world geography, world history, and United States History. The purpose is to measure students' academic performance in high school courses; passing end-of-course examinations will become part of high school graduation requirements beginning with the 2011-2012 academic year. Results will be used to determine the appropriate placement of a student in entry-level college courses.

One way the production of degrees has been addressed is through initiatives that promote transfer from community colleges to four-year universities. These initiatives serve to decrease state costs and increase degree production. By implementing a transferable core curriculum, students can complete degrees without having to repeat basic liberal arts courses. This reduces the problems that students often have when they decide to change institutions and majors. However, completion of the core curriculum during the first two years of college at the expense of completion of prerequisite requirements may have a negative impact on the timely and efficient production of high-need degrees.

Transfer viability is further enhanced by the opportunity to complete a field of study curriculum (FOSC) at a community college that will transfer to a university. While FOSC has excellent potential to increase degree production in high-need fields, for various reasons curricula in high-need areas have proven difficult to define. Further, these approved curricula have not been utilized to the extent that was anticipated. One of the more significant issues that must be addressed is finding a way to integrate the core curriculum, a field of study curriculum, and required prerequisites for transfer students who are majoring in science, technology, engineering, or mathematics.

One final policy area that must be considered is the foundation of state funding for higher education, the model for state reimbursement. The Coordinating Board has proposed shifting funding from the current model based on semester credit hours attempted to a model based on semester credit hours completed, phasing in this success-oriented approach over four years so that institutions can adjust to the new funding approach and so that results can be evaluated to ensure academic rigor is maintained. Thus, over time, the state would move from funding student participation to student success. While the outcome of this recommendation is not yet certain, what is clear is that the state is considering major shifts in priorities emphasized through funding formulas for higher education. Such a change would mean that institutions would need to evaluate their own policies and procedures regarding course withdrawal and repetition.

With the goals of *Closing the Gaps by 2015* and the economic future of the state firmly in mind, any number of opportunities exist for Texas to continue working towards aligning higher education policy to the key goals of increasing degree production, while holding the state costs of higher education within the state's budget priorities. With a continued commitment to higher education for its people, the state has much to gain in terms of economic, social, and civic improvements. The growth and well-being of all Texans depends on it.

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