

# OVERVIEW: FINANCIAL AID IN TEXAS



February 2018

Financial aid plays a critical role in achieving the goals of the state’s higher education strategic plan, 60x30TX. Effective financial aid programs support both affordability and completion in postsecondary education and provide work-study opportunities to prepare students for the workforce. Furthermore, the balance of grant and loan opportunities, including effective advising on these options, plays a key role in helping students manage their loan debt.

The following is a summary of the Texas Higher Education Coordinating Board’s annual *Report on Student Financial Aid in Texas Higher Education, Fiscal Year 2016*, which provides important information about financial aid funding sources, types of financial aid available, data regarding students benefitting from state financial aid programs, and data on unmet financial need. The full report is available at **Texas Financial Aid**.

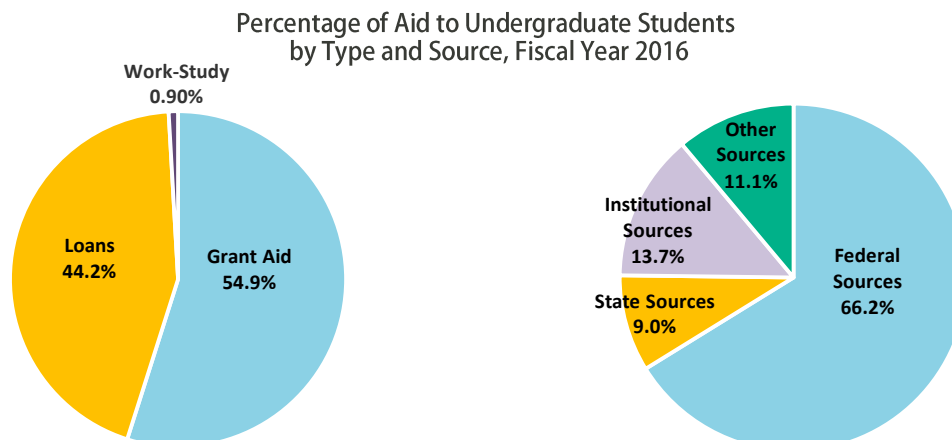
## Types and Sources of Financial Aid

There are a variety of types of financial aid available to students pursuing a postsecondary education. Federal and state financial aid is generally one of three types: grants, work-study, and loans. The general characteristics are shown below.

GRANTS	LOANS	WORK-STUDY
<ul style="list-style-type: none"> <li>- Need-based</li> <li>- No repayment</li> <li>- Examples: Toward Excellence, Access and Success Grant (TEXAS Grant), Texas Educational Opportunity Grant (TEOG)</li> </ul>	<ul style="list-style-type: none"> <li>- Most costly to student who must repay money, usually with accrued interest</li> </ul>	<ul style="list-style-type: none"> <li>- Need-based</li> <li>- State or federal funds are leveraged with earnings students receive through part-time jobs, on campus or off campus</li> </ul>

## Undergraduate Aid

In 2016, undergraduate student reliance on loans was significant even though the amount of grant aid exceeded the amount of loan assistance. Of the 1,304,229 undergraduates who enrolled at Texas institutions of higher education<sup>1</sup>, 50 percent received grants and 31 percent received loans. Although work-study funds represented less than 1 percent of overall financial aid to undergraduates, the number of students served was significant -- more than 32,000 students benefited from work-study aid. Overall, the majority of financial aid to Texas students is federal aid. Only 9.0 percent comes from state sources.



<sup>1</sup> Institutions of higher education for purposes of this summary are public universities, community and technical colleges, health related institutions and independent colleges and universities.

Undergraduates received \$4.1 billion in grant aid in fiscal year (FY) 2016. Federal Pell grants represented almost half (45 percent) of the grant aid received and 91 percent of undergraduate borrowing consisted of federal loans.

In Texas, tuition exemptions, waivers, and set-asides also make up a significant part of student financial aid. Tuition exemptions and waivers are targeted to specific populations that the Legislature has identified as warranting special consideration related to paying for college. In FY 2016, 308,382 students received tuition exemption or waiver assistance, which accounted for \$830.3 million in foregone institutional revenue, an amount that continues to increase dramatically. Two programs make up the tuition set-aside aid, the Texas Public Educational Grant (TPEG) and Financial Aid Funded by Designated Tuition Set-Asides. In FY 2016, 230,091 students received tuition set-aside grants exceeding \$412.8 million. Almost half of these funds were awarded to students whose family incomes were below the federally established poverty level for a family of four.

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Approximately **71** percent of state grant aid awarded in fiscal year 2016 was in the form of TEXAS Grants.

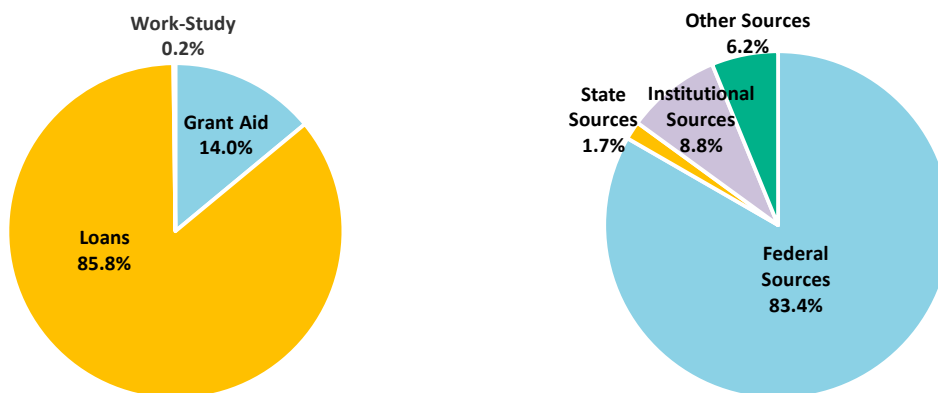
Tuition set-asides represented **33** percent of institutional aid distributed in fiscal year 2016; **66** percent was in the form of merit-based aid funded by institutions of higher education.

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## Graduate Aid

The percentage of federal aid to graduate students exceeded federal aid to undergraduate students due to graduate students' substantial dependence on federal student loans to meet their education costs. Conversely, federal grant aid to undergraduates exceeded federal grant aid to graduates by more than \$2 billion. The figure below shows the majority of financial aid to graduate students is in the form of loans and other federal sources.

Percentage of Aid to Graduate Students  
by Type and Source, Fiscal Year 2016



In FY 2016, of the 182,353 graduate students enrolled at institutions of higher education, 28 percent received grants and scholarships and 46 percent received loans.

## Unmet Need

In FY 2016, a total of \$9.3 billion in undergraduate and graduate student financial aid was awarded from federal, institutional, private, and state funding, but there was a significant amount of unmet financial need among students attending Texas institutions of higher education. The average amount per student needed to cover the gap between undergraduate education costs and student resources (Expected Family Contribution and financial aid) was \$6,892 for students attending public two-year institutions, \$6,645 for students attending public universities and health-related institutions (HRIs), and \$7,382 for students attending private or independent institutions. At the graduate level, the average amount per student needed to cover the gap at public universities and HRIs was \$7,149, and \$8,896 at private or independent institutions.