

**Texas Higher Education Coordinating Board**  
**2010-2011 Legislative Appropriations Request Overview**  
**Joint Hearing**  
**Governor's Office of Budget and Policy Planning**  
**Legislative Budget Board**  
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**Texas Commissioner of Higher Education**

Good morning. We appreciate this opportunity to discuss the Texas Higher Education Coordinating Board's Legislative Appropriations Request (LAR) for the 2010-2011 biennium.

As you know, the Board makes funding recommendations to improve higher education outcomes through two mechanisms. The first is through formula funding which is the state's primary means of funding its *institutions* of higher education. The second is through the LAR, which is the state's primary means of supporting *students*, and a recurrent question we ask at the Coordinating Board in all our decisions is, "what's in the best interests of students?"

We also ask what's in the best interest of the state and its people, because the state's higher education plan, *Closing the Gaps by 2015*, is all about the economic, social and civic benefits of a well-educated population.

We are greatly encouraged by progress toward the goals of *Closing the Gaps*, and we appreciate the investment the state has made in higher education that has helped generate these results. Since *Closing the Gaps* was adopted in 2000:

- ✓ Participation rates have increased significantly from 4.9 percent to 5.4 percent, providing access to higher education for an additional 250,000 students
- ✓ The percentage of high school graduates going on to higher education has increased steadily
- ✓ Hispanic and African-American enrollments rose dramatically by 49 and 39 percent, respectively
- ✓ The number of degrees awarded annually exceeded targets to over 150,000

At the same time, we know that significant challenges remain:

- ✓ Texas is growing rapidly and has the largest percent of college-age population in the United States – a trend that will continue for many years
- ✓ Texas also has a larger percentage of low-income families than most states and those families will need considerable help preparing their children and paying for college
- ✓ While the overall number of degrees awarded has improved dramatically, there are still large deficits in the number of degrees in high-need fields such as engineering, computer science, nursing and teaching
- ✓ Texas does not have the number of leading research universities appropriate for a state this size, but at the same time, undergraduate education must continually improve since almost 90 percent of our students are undergraduates

Whether through formula funding or the LAR, the Coordinating Board is grateful to the executive branch and the legislature for their continued support of higher education and the students of Texas even through some pretty tough economic times. We recognize the funding decisions have been difficult, but the good news is that the investment is paying off. The improvements I cited above would not have been possible without your help. And investing in higher education has huge pay-offs for the state in the future.

An analysis of the economic benefits of achieving the goals of *Closing the Gaps* conducted by the Ray Perryman Group for the Commission for a College-Ready Texas, revealed results that were far more dramatic than those projected when *Closing the Gaps* was adopted. While the state will experience healthy economic growth if current trends continue, the economic benefits of reaching the goals of *Closing the Gaps* are astounding with gains of \$489 billion in total spending, \$194 billion in gross state product, \$122 billion in personal income, and over one million permanent jobs by 2030. A return of \$8 for every \$1 of investment is fully anticipated.

So we are confident that the investment is worth it, and we believe our recommendations will help propel the state toward achieving its goals.

### **New Funding Request**

As you know, the starting point for the Legislative Appropriations Request is the base request. For the Coordinating Board, the base for the current biennium totals about \$1.28 billion and 306.9 FTE. Our base request for next biennium totals about \$1.25 billion and 306.9 FTE. Of that, only about \$53.9 million, or 4.3 percent is for actual agency operations. The rest is in the form of funds trusted to the agency for purposes of financial aid and other student-related initiatives. It's also important to note that the size of the agency staff is small relative to the agency's mandate, and that almost half (142) of the agency's FTE are funded through the self-supporting student loan program operated by the agency or through federal funds.

The request for new funding and FTE in 2010-2011 totals about \$828.6 million in general revenue and general revenue-dedicated funds and 18 FTE for the biennium. This represents a 44 percent increase in funding and a 6 percent increase in FTE.

The basis for the vast majority of these new funds and FTE may be summarized in two Board priorities to support students: financial aid and college-readiness.

The Board has long considered financial aid the top priority in its funding requests, and this biennium is no different. The reasoning is simple:

- The state must increase the number of students successful in higher education to meet the goals of *Closing the Gaps* and to achieve the eight-fold return discussed earlier.
- Given the state's demographics, many of those potential students will come from poor families.
- Without the state's help, these students will not be able to afford even a year or two of post-secondary education.

As great a state as it is, Texas has a significant number of people living in poverty. In fact, the U.S. Census Bureau recently released data that ranks Texas ninth among the 50 states in the overall percentage of people living in poverty at 16.3 percent compared to the national average of 13 percent. Also, the median household income in Texas, at a little over \$47,500, is about 6.3 percent lower than the national average of \$50,700. As such, the state's investment in financial aid is critical, but as I pointed out earlier, investing now will pay huge dividends in terms of the state's future prosperity.

The second priority area, college-readiness, speaks to preparing students for success in entry level college courses or for entry into the skilled workforce. HB 1, passed in the 3rd Call of the 79th Texas Legislature, included the College Readiness Initiative "to reduce the need for developmental education and to increase student success." Many of you have heard me speak about developmental education and the need to achieve better results. College-readiness initiatives go right to the heart of ensuring young people are prepared with the appropriate level and rigor of coursework that is in sync with the courses they will face in their first year of college or with the knowledge base needed in the skilled workforce. We are trying to prepare for jobs that don't even exist yet, but projections are that about 80 percent of all jobs will require some post-secondary education. While it's unusual to request additional funding for such a new initiative, aggressive but strategic action will be needed to take the initiative to the next level.

In addition to the two broad areas of financial aid and college-readiness, new funding is requested for other initiatives that address critical needs in Texas, especially in the areas of health care and research.

There are 25 exceptional items all together, and I would like to discuss the first 10 in some detail.

**1.TEOG.** As its top priority for new funding in the area of financial aid, the Coordinating Board recommends the state invest more to help students at two-year institutions. The Texas Educational Opportunity Grant (TEOG) was created in 2001 to support students attending community colleges and other two-year institutions. More than 50 percent of the students currently enrolled in Texas are at community colleges and we expect that percentage to rise. But with only \$7 million per year, TEOG currently can provide financial aid to only 4 percent of eligible students. The Board recommends raising this to at least 33 percent of eligible students and therefore requests an additional \$193,586,082 to make TEOG available for an additional 98,425 students.

**2.TEXAS Grant.** The bottom line is that this program needs to be funded at much higher levels. The program has helped over 180,000 students since the first grant was made in fall 1999, but it still provides assistance to only a little over 50 percent of eligible students (about 181,000 students currently are eligible). We need a much higher ratio since, as I emphasized earlier, the state needs the children from poor families to attend college if we hope to meet *Closing the Gaps* goals. Last session, the legislature generously increased funding for TEXAS Grants, and we urge that the legislature take it to the next level by adding another \$367.6 million so that at least 67 percent of eligible students – almost 64,000 more – may receive this grant.

**3.Texas College Work Study.** Students in work study tend to achieve at higher levels than other students. However, most jobs are on campus and are not directly relevant to a student's career choice. Requested funds of \$2.5 million per fiscal year will be used for off-campus work study jobs in industry that can lead to careers for participating students. Funds will

enable another 5,314 students to participate in work study (5,787 in program in FY 2008).

**4.B-On-Time Student Loan Program.** The Texas Legislature enacted this innovative loan program in 2003. B-On-Time loans are forgiven if a student graduates from college with at least a B average within four years or other appropriate time frames depending on the degree program. The loans provide an incentive to student to succeed and to graduate on time, making the best use of the state's investment in them. The loan program is funded in part through tuition set-asides, and a significant amount of set-asides will be available in unexpended balances from FY 2009 and new collections in 2020. The Board is requesting \$36.4 million in general revenue to continue 4,300 renewal students and fund 8,250 new students in 2010. About \$63 million in general revenue will be needed to continue 7,350 renewal students and fund a small increase in new recipients to 8,500 in 2011.

**5.Teach for Texas Loan Repayment Program.** Teach for Texas addresses the shortage of teachers at certain campuses as well as the shortage of teachers statewide in certain subjects (math, science, special education etc.) The program provides student loan repayments of up to \$5,000 per year for teachers who agree to provide full-time instruction in a subject field having a critical shortage of teachers or at a campus having a critical shortage of teachers. The program is quite attractive and meets a critical need for the state, but current funding (\$9 million for biennium) covered only 904 of 3,500 applicants. Board recommends raising funding level by about \$21 million for biennium to provide loan repayment funds for 3,000 teachers.

**6.Physician Education Loan Repayment Program.** This program directly addresses a critical issue in the provision of health care – the recruitment and retention of physicians in economically depressed or rural medically underserved areas of the state. The program has been quite successful in this regard since its creation in 1987 with almost 60 percent still practicing in Health Professional Shortage areas, 72 percent still practicing in the Rio Grande Valley, and almost 51 percent practicing in

rural areas. However, participation rate was low in 2007 which is attributable to the small repayment amount of \$9,000 per year for up to five years. This is not a sufficient incentive to establish a medical practice in an underserved area when the average student loan indebtedness for medical school graduates is \$130,000. Other states with similar programs offer much higher repayment amounts (Louisiana=\$18,000/year; Delaware=\$35,000 per year). Therefore, the Board is requesting \$1,077,953 each fiscal year to raise repayment level to \$20,000 for 100 physicians per year.

College Readiness exceptional items. The next three exceptional items are designed to strengthen the college readiness initiative including developing high school partnerships and initiatives to effectively integrate the recently adopted college readiness standards into the curriculum, increasing the number of high quality education preparation programs specifically on college-readiness, and expanding transition programs into higher education so that all students – whether fresh out of high school or returning from the work force – can become college ready.

**7.Build support and capacity for implementation of the CRS.** The Board is seeking an additional \$5.5 million each fiscal year to target three critical areas: 1) build support for and understanding of college readiness and the CRS among parents, educators, and communities so that benefits to both individual students and the state’s economy can be fully realized; 2) increase the number of educator preparation programs able to prepare teachers to understand and apply research on curriculum and instruction relative to college readiness; and 3) strengthen data pathways between public and higher education so programs can be evaluated and scaled up if proven successful

**8.College Readiness Standards (CRS ) Demonstration Sites**

Requested funding will support CRS demonstration sites to partner successful high school initiatives, such as Early College High School and T-STEM academies, with colleges of education. The partnerships will develop curriculum, starting in middle school to integrate the CRS into the Texas Essential Knowledge and Skills. Teachers will be trained in technology and

a variety of instructional strategies/materials will be developed so the schools can model how students can master the CRS. The Board recommends \$1.5 million be allocated each year for a total of \$3 million for the biennium.

**9.Higher Education Transition Programs.** Based on the success of Summer Bridge Programs, transition programs will enable higher education institutions to offer additional support and guidance to high school students, recent high school graduates, adults returning to higher education, or transfer students as the transition to universities or colleges. Funding of \$2 million per year is recommended for these programs that are a critical component of helping students become college ready.

**10.Developmental Education.** In addition, another \$30 million is requested in developmental education funds to be trusted to the Board. This stems from the Board's formula funding recommendations. The funds will be used to help institutions implement programs, including non-course-based activities (mentoring, tutoring, learning communities) that prove successful in preparing students for college-level work.

Just these ten items related to financial aid and college-readiness make up almost 90 percent of the Board's request for new funding. The other 10 percent entails smaller, but extremely important initiatives related to *Closing the Gaps* such as the Professional Nursing Shortage Reduction Program, the Joint Admissions Medical Program (JAMP) – which is a role model for the effective use of targeted student support – the Family Practice Residency Program, the Advanced Research Program, and the Engineering Recruitment Program. Small investments in these programs have yielded great successes for the state that we want to expand and leverage for the future. While they are extremely important, in the interest of time, I will not detail these exceptional items unless you would like for me to do so.

Otherwise, this concludes our overview and we would be happy to answer any questions.

## **INFORMATION ON OTHER EXCEPTIONAL ITEMS**

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### **11. PROFESSIONAL NURSING SHORTAGE REDUCTION PROGRAM**

This program directly addresses nursing shortage by not only increasing number of graduates from nursing programs, but by increasing the number of nursing faculty through funds to create additional nurse faculty positions and other faculty support initiatives. In formula funding recommendations adopted in April 2008, the Board recommends the program be increased to \$25 million for the 2010-2011 biennium, requiring additional funds of \$5,150,000 per fiscal year.

### **12. HOSPITAL-BASED NURSING SHORTAGE REDUCTION PROGRAMS**

Established by the 80th Texas Legislature, funding will support grants to hospitals for work-based education in partnership with one or more of the state's nursing programs. A request for \$10 million has been made for the biennium.

**13. JOINT ADMISSIONS MEDICAL PROGRAM (JAMP)** This highly successful program addresses the physician shortage by supporting highly-qualified, economically-disadvantaged undergraduate students through guaranteed admission to at least one Texas medical school. Students are supported through undergraduate studies and medical school if they continue to satisfy challenging academic and non-academic requirements. Additional funding of \$10 million for the biennium will support 105 new students in the program (284 are currently participating).

**14. FAMILY PRACTICE RESIDENCY PROGRAM** This program was established in 1977 to increase the number of physicians selecting

family practice as a medical specialty and to encourage them to establish practices in rural and underserved communities in Texas. Since inception, the program has provided support to more than 7,100 family practice residents and achieved a 70 percent retention rate in Texas. Added funding of \$7,337,500 per fiscal year will expand programs to increase the number of participants from 650 to 850.

**15. DATA CENTER SERVICES (DCS) COSTS ABOVE PRE-DCS COSTS**

DCS costs will be greater next biennium than if the Board had continued to operate the data center operations area. The ability to deal effectively with massive amounts of data is essential to the agency. The Board is requesting \$379,369 in FY 2010 and \$157,369 in FY 2011 to avoid further service degradation and serious shortfalls in basic IT staffing, equipment upgrades, software upgrades and normal application growth.

**16. OUT-OF-SCOPE DCS-RELATED PROJECTS** \$385,000 per fiscal year is requested to cover projects that are required to accommodate the separation of equipment between the two state DCS data centers and to utilize the contract cost efficiently

**17. DRAMATIC ENROLLMENT GROWTH FOR GENERAL ACADEMIC INSTITUTIONS** A request for \$1.75 million per fiscal year has been made to reflect the Board's April 2008 formula funding recommendations.

**18. STATEWIDE PRECEPTORSHIP PROGRAM** This program provides direct funding to Texas medical students to encourage them to choose careers in primary care which includes family practice, general internal medicine, and general pediatrics. Funding of \$518,573 per fiscal year is requested to add 100 students to the program each year.

**19. ADVANCED RESEARCH PROGRAM (ARP)** Created by the Texas Legislature in 1987, ARP supports basic research at Texas higher education institutions through rigorous peer review competition. The

ARP attracts the best students and researchers to Texas and provides the knowledge base needed for innovation. Additional funding of \$25.5 million for the biennium will further enable researchers to engage in the basic research essential for innovation.

**20. COLLEGE READINESS RESEARCH AND EVALUATION** A request for \$380,000 for FY 2010 and \$356,500 for FY 2011 has been made to collect and research essential longitudinal data related to college readiness and other education issues.

**21. TEXAS GOVERNOR'S SCHOOLS** Funding for these summer programs for high-achieving high school students resides at TEA, but program administration resides at THECB. The Board requests \$750,000 each fiscal year to fund these programs at THECB (TEA will not seek funding).

**22. ALTERNATIVE CERTIFICATION TEACHING PROGRAMS (ATC)**

These programs are fully subscribed and self-supporting, often have waiting lists, and have pass rates similar to traditional programs. Currently, community colleges receive no state funding for alternative teacher certification, causing students to cover the entire cost through higher tuition. Through formula funding recommendations adopted in April 2008, the Board recommends the state provide funding for these programs at community colleges. The Board requests \$4.5 million be trusted to the Board for the biennium to fund ATC programs, with allocations based on the number of teaching certificates awarded.

**23. ENGINEERING RECRUITMENT PROGRAM** Texas is well below targets of *Closing the Gaps* in the number of students enrolling in and graduating from science, technology, engineering, and math fields – all of which are critical for the state and for the nation. This program directly addresses this issue by funding summer programs for middle and high school students and providing merit-based scholarships. An additional \$2 million for the biennium is sought to support 1,026 more

students in the scholarship program and an additional 2,200 students in summer programs.

**24. TECHNOLOGY WORKFORCE DEVELOPMENT GRANT** This industry and government partnership was designed to increase baccalaureate graduates in engineering and computer science. Funding of \$2 million per fiscal year is requested to provide a state match for the non-state donations from private industry required for this program.

**25. SPACE PLANNING/NEW LEASE** The agency lease expires June 2010. A new lease and/or moving will be necessary and will require additional funding in the latter part of 2010 and for all of 2011. The Board estimates and is requesting \$800,000 in 2010 and \$1.2 million in 2011 for this purpose.