



# Investing for Success

## A Comprehensive Funding Strategy

### *The bottom line:*

*Through a comprehensive funding strategy based on performance in institutional funding, financial aid, and preparation, Texas can get better results from its investment in higher education while helping students succeed.*

### Background

Higher education is still the best investment Texas can make to fuel its economic engine and meet the demands of a globally competitive marketplace head-on. The data clearly show that a population with higher educational attainment not only generates the kind of innovation and skill sets needed for success in today's world economy, but also makes higher household incomes, less demand on health and social services, and greater civic contribution. Now, more than ever, is the time for Texas to make substantial investments in higher education to carry the state beyond the current economic downturn and into a future of growth and prosperity.

As the state makes the investment necessary to grow and sustain higher education for its people and its future, however, the state also should expect better results. Therein lays the basis for the Board's approach to funding for both the institutions and for students through financial aid.

More specifically, the Board is focusing its funding strategies on student success. The state's investments in higher education over the first seven years of *Closing the Gaps by 2015*, have paid off in terms of the number of students enrolled in higher education today. But it's a wasted investment if students get into higher education and then do not obtain their post-secondary goals. Whether those goals are getting technical certifications, associate degrees, or bachelor's degrees, all are critical to meeting the goals of *Closing the Gaps*. Through a comprehensive strategy based on performance in institutional funding, financial aid, and preparation, Texas can get better results from its investment while helping students succeed.

(Funding amounts for the strategies described below may be found on attached chart).

### Allocating Institutional Funding to Improve Success

The Board's formula funding recommendations for 2010-2011 are set at a level that will help stabilize tuition and fee increases and keep college affordable. The Board also recommends two changes to help obtain better results from this funding:

- ***Allocate funds based on students completing courses rather than just starting them (12 day headcount).*** Institutions will need to find ways to help

students stay in and finish the classes they start. The Board has recommended phasing in this success-oriented approach over four years so that the institutions can adjust to the new approach and so that results can be evaluated to ensure academic rigor is maintained.

Coordinating Board staff estimates that over \$300 million is lost each year from courses that are not completed. While a higher investment in higher education is warranted, it is also prudent to stop losses where possible.

- ***Provide performance funding to institutions based on completions (students graduating from degree or certification programs).*** Institutions will be rewarded for finding ways to help students succeed rather than just throwing them in to “sink or swim.”

## Targeting Financial Aid to Improve Success

The Board recommends that the state dramatically increase funding in two major financial aid programs for needy students, the Toward Excellence and Success (TEXAS) Grant program and the Texas Educational Opportunity Grant (TEOG) program. To achieve better results with the investment in both these programs, the Board recommends that the state:

- ***Use TEXAS Grant entirely for needy students attending four-year programs and adjust the merit component to encourage better preparation in high school.*** TEXAS Grant started ten years ago requiring a merit and college-preparatory component – the Recommended High School Program (RHSP). At the time, some policy-makers were fearful that the RHSP was too tough, that not enough needy students would take the program, and that not enough teachers could teach at that level. However, today it is the default high school curriculum as well as a requirement for admission to four-year universities and colleges. Over 95 percent of students in Texas public universities today graduated from high school with the RHSP.

To update the merit and college-preparatory component in TEXAS Grant and keep it viable, the Board has recommended changing the merit component (see summary on page 4). Again, fear has arisen that the requirements will be too tough and that not enough students can achieve the criteria. However, the data show that needy students of all backgrounds that meet these criteria have the best chance of persisting in and attaining a four-year degree.

While the Board believes reasonable merit criteria will keep TEXAS Grant strong and yield the best results for needy students at four-year institutions, its funding strategy for the best results also rests on making more funds available for needy community college students as described below.

- ***Dramatically increase funding for TEOG, and emphasize the program's focus on needy students attending community college.*** The Board recommends that TEOG continue to have no merit component so students can attend community college while they prepare to take the next step to a four-year degree if that is their goal. Simultaneously, the Board also seeks to escalate the development of "2+2" strategies that not only encourage both two- and four-year institutions to do more to help students prepare and transfer, but that make a TEXAS Grant available to these students upon entering a four-year program.

Currently, over 55 percent of students in higher education attend community college, and that number will rise to 70 percent before 2015. Helping these students succeed is fundamental to the state's economic success.

## Preparation Leads to Success

Preparation is the underpinning for student success. As such, a number of funding recommendations and requests by the Coordinating Board for 2010-2011 focus on better student preparation. As noted above, the Coordinating Board strongly urges that the preparation criteria in TEXAS Grant be sustained and improved. As part of its overall strategy to use funding to achieve better results, the Board also recommends the state make commitments to improving student success through these four initiatives:

***Implementation of College and Career Readiness Standards.*** These standards, adopted by both the Texas Higher Education Coordinating Board and the Commissioner of Education, lay the foundation for preparing students not only for success in entry level college courses, but for life after high school whatever path they choose.

***Developmental Education.*** Currently, well over 50 percent of high school students entering college require developmental education before they are able to take credit-bearing courses. Most get discouraged and never move on to obtaining a degree, representing a waste of resources for them and for the state. The Coordinating Board recommends that some of the funding allocated to developmental education be used to demonstrate how the delivery of developmental education can be fundamentally changed to obtain the results both the students and the state deserve.

***Adult Basic Education.*** While this is funded through the Texas Education Agency, the Coordinating Board nonetheless supports its enhancement. Poorly educated adults are not equipped to seek higher education for themselves or to help their children become better educated. In order for the state to realize its greatest potential, it must educate its residents at all age levels.

***Teacher Preparation.*** Unless higher education does more to produce more high-quality teachers, it is failing to do its part in helping students in primary and secondary education prepare for success.

# Texas Higher Education Coordinating Board

## Investing for Success

### A Comprehensive Funding Strategy

**Goal: Use state's investment in higher education more strategically so that more students, especially low income and students of color, have greater success in higher education**

- The CB is requesting more funding, but not without ensuring better results
  - The state has improved access for students but has not improved success nearly as much
  - Recommended funding changes hold institutions and students more responsible for outcomes: Students must be better prepared, and institutions must do more to retain students and help them succeed
- Sends a message to students: "We believe in you. You can perform at high levels, and we expect you to."
- Sends a message to institutions: "You can do more to help all students stay in college and graduate."

### Formula Funding Recommendations

**Key change: Allocate funds based on students *completing* courses, instead of enrollment**

General Academic Institutions	Community, Technical, and State Colleges
Total Funding Recommendation (Base + Increase): <b>\$4.703 billion</b>	Total Funding Recommendation (Base + Increase): <b>\$2.651 billion</b>
Recommended Increases in funding: <b>\$701.7 million</b> Instruction and Operations (I&O) Formula      \$300 million Performance Fund    \$178 million Infrastructure Formula (GAI only) <u>\$220 million</u> Total Formula Funding                                      \$698 million I&O Formula based on: (1) 100% of cost matrix (2) phase-in of completed SCH (25%-2010/50%-2011 /75%-2012/100%-2013): <b>Funding course completion, instead of enrollment. No incentive to simply pass students.</b> (3) phase-out of attempted SCH and small school supp.	Recommended increases in funding: <b>\$813.4 million</b> Formula    \$667.0 million Performance Fund    \$100.0 million Small Institution Supplement <u>\$4.8 million</u> Total Formula Funding                                      \$778.9 million Formula based on: (1) 100% funding of rates less tuition collected (2) phase-in of completed SCH (25%-2010/50%-2011 /75%-2012/100%-2013) <b>Course completion, not enrollment. No incentive to simply pass students.</b> (3) phase-out of attempted SCH
Dramatic Enrollment Growth Funding              \$3.5 million Nursing Shortage Reduction Program: \$ 10.3 million increase (all sectors-GAI, CTC, & HRI)	Developmental Education Supplement              \$30 million Alternative Teacher Certification Funding          \$4.5 million

### Formula Funding Recommendations Can Stabilize Tuition

**Core costs that would need to be covered to mitigate need to increase tuition and fees:**

Total estimated core costs for FY 2010-11:	\$11.5 billion
Less total est. core costs for FY 2008-09:	<u>\$10.8 billion</u>
<b>Estimated Increase in GAI core costs</b>	<b><u>\$685.4 million</u></b>

GR Calculation (using CB formula recommendation method)

Performance Funding	\$178.0 million
Formula Fund at 75% GR	+ <u>\$380.6 million</u>
<b>Total GR Funding needed for GAIs</b>	<b><u>\$558.6 million</u></b>

Balance needed to cover estimated increase in core costs

Appropriated Tuition/Fees	\$40 million
Non-Appropriated Tuition/Fees	+ 86.8 million
<b>Total T/F needed to cover balance</b>	<b><u>\$126.8 million</u></b>

(Tuition/fee amounts based on increase in t/f collections resulting from enrollment growth; no increase in t/f rates)

Mitigation of tuition and fee increases for 2-year institutions would come from increased funding of formulas:

2-year college formula recommendations:

- Fund enrollment trends
- Recognize important role of community colleges
- Help maintain the relative lower cost to both students and the state

Increased college formula funding will hold down need for increases in tuition and fees

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TEXAS Grant	Texas Educational Opportunity Grant (TEOG)
<p><u>LAR for 2010-11</u></p> <ul style="list-style-type: none"> <li>• Base : \$427.8M (&lt;50% of eligible students)</li> <li>• Request: +\$367.5M (&gt;66% eligible students: +63,977)</li> </ul> <p><u>Board recommendation, October 2008</u></p> <ul style="list-style-type: none"> <li>• Target needy students who show readiness for university work</li> <li>• Use entirely for needy students attending 4-year programs</li> <li>• Adjust merit component to encourage better preparation in high school</li> <li>• Eligibility criteria (2 of 4) to demonstrate readiness:            Graduate with Distinguished Achievement or IB            College Readiness Score: SAT-1590 or ACT-23            Rank in top third of high school class            3.0 GPA on a 4.0 scale or its equivalent</li> <li>• Phase in over 4 years (beginning with 2010 graduates)</li> <li>• Evaluate impact on income and ethnicity</li> <li>• <i>Modified Funding Recommendation using current criteria in FY 2010 &amp; adjusted criteria in FY2011: +\$261.3 M or 67% of eligible students in 2010 and over 90% of eligible students in 2011</i></li> </ul>	<p><u>LAR for 2010-11</u></p> <ul style="list-style-type: none"> <li>• Current : \$14M (&lt;4% eligible students)</li> <li>• Request: \$193.6M more (33% eligible students: +98,425)</li> </ul> <ul style="list-style-type: none"> <li>• Emphasize program’s focus on needy student attending community college</li> <li>• Criteria remain needs-based</li> <li>• No merit component so students can attend community college while they prepare to take next step</li> <li>• Through 2+2 programs, encourage students to pursue 4-year degree; eligibility for TEXAS grant upon graduation from college &amp; transfer to a public university</li> <li>• Helps ensure lower debt load for students</li> </ul>

**Preparation Leads to Success**

Exceptional item requests directed to better preparation of students entering higher education:

- **College and Career Readiness Standards:** \$18 million for biennium to ensure standards are incorporated into curriculum. Lays the foundation for success not only in college but for life after high school.
- **Developmental Education:** \$30 million for biennium to demonstrate how delivery of developmental education can be fundamentally changed for better results (also reflected in formula recommendations). Over 50 percent of high school graduates must take developmental education and most never move on to getting a degree.
- **Adult Basic Education:** \$50 million for biennium (TEA exceptional item). Poorly educated adults also are poorly equipped to help themselves or their children reach higher educational levels.
- **Teacher Preparation:** \$4.5 million for alternative certification programs at community colleges (also reflected in formula recommendations). More high quality teachers are needed to prepare primary and secondary students for success.