Funding Texas Higher Education

Presentation for the House Appropriations Subcommittee on Education

February 19, 2009
Funding Texas Higher Education

State Funding

Financial Aid
State Funding for Texas Higher Education
Although Texas has made substantial investments in higher education, students are paying a larger share of the cost.

FY 2003 Public Universities FY 2008

- State: 24% 25%
- Students: 14% 13%
- Institutions: 40% 35%
- Federal Gov: 22% 27%
Statewide averages mask fundamental differences among the institutions

- Institutions differ in their:
  - missions, level of research, focus on teaching
  - reliance on state funding
  - ability to raise external funding
  - capacity to use tuition and fees to make up funding shortfalls
There are big differences among institutions with different missions.

**UT - Austin**
- Total Operating Sources: $2,124,875,764
  - State: 38%
  - Students: 25%
  - Institutions: 18%
  - Federal Gov: 19%

**A&M International**
- Total Operating Sources: $87,781,498
  - State: 59%
  - Students: 16%
  - Institutions: 16%
  - Federal Gov: 9%
There are differences among universities with similar missions

UT-El Paso

- State: 18%
- Students: 35%
- Institutions: 21%
- Federal Gov: 26%

Total Operating Sources: $300,818,977

University of North Texas

- State: 18%
- Students: 35%
- Institutions: 8%
- Federal Gov: 39%

Total Operating Sources: $486,523,099
Although Texas has made substantial investments in community colleges, students and local taxpayers are paying a larger share of the cost.
Although Texas makes a substantial investment in health-related institutions, most of their funding comes from sources other than the state.

**FY 2005**

- **State**: 49%
- **Students**: 12%
- **Institutions**: 18%
- **Hosp., Clinics, Prof. Fees**: 1%

**FY 2008**

- **State**: 52%
- **Students**: 11%
- **Institutions**: 18%
- **Hosp., Clinics, Prof. Fees**: 1%
Increased costs are being paid by students instead of general revenue

Public Universities

NOTE: In Constant Dollars, CPI-U (Per Full-time Enrolled Student)
State support is below national average

State Appropriations for General Operating Expenses
FY 2006

- Ohio: $4,352
- Michigan: $4,454
- Illinois: $4,945
- Texas: $5,301
- Pennsylvania: $5,353
- California: $5,493
- Nation: $5,640
- Florida: $5,641
- New York: $6,595
- North Carolina: $7,057

Per Full Time Student Equivalent

Source: State Higher Education Executive Officers
Texas’ 4-year institutions meet or exceed the national average for tuition, while community colleges remain relatively inexpensive.

2007-08 Tuition & Required Fees
(Texas vs. National Average)

<table>
<thead>
<tr>
<th></th>
<th>Texas</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flagship</td>
<td>$8,060</td>
<td>$7,029</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>$5,481</td>
<td>$5,526</td>
</tr>
<tr>
<td>Com College</td>
<td>$1,639</td>
<td>$2,737</td>
</tr>
</tbody>
</table>

Median Household Income

<table>
<thead>
<tr>
<th></th>
<th>Texas</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$47,548</td>
<td>$50,740</td>
</tr>
</tbody>
</table>


Source: U.S. Census Bureau, 2007
Despite increases in faculty salaries, Texas universities still lag behind the national average.

- Texas universities have added **1,175 full-time equivalent faculty members** since FY 2003—a 10 percent increase.

<table>
<thead>
<tr>
<th>National Salaries (All Ranks)</th>
<th>10-State Average</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2003</td>
<td>$69,565</td>
<td>$62,671</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$79,596</td>
<td>$74,076</td>
</tr>
<tr>
<td>% increase</td>
<td>14%</td>
<td>18%</td>
</tr>
</tbody>
</table>
Formula Funding
Recommendations
Formulas are used for allocating - not budgeting - a base amount of funds

- Formulas equitably allocate - not budget - available funds among institutions

- Appropriations are made on a “lump-sum” basis, rather than by line item

- Except for a few items like debt service and benefit pay, institutions may spend their appropriated funds for any legal purpose without regard to the method by which the amount of funding was generated.
Formula Funding
Recommendations for
Universities
Coordinating Board
Recommendations for Universities

- Significantly increase base formula funding by $300 million

- Phase-in of completed credit hours over 4 years; contingent on a minimum increase in base formula funding to ensure that no institution receives less funding than 2008-09 (estimated at $20 million over the current House base of $106.5 million)

- Convert teaching supplement to performance based funding

- Increase funding of infrastructure to cover actual costs for educational and general space
Performance Funding

Allocated to institutions for degrees awarded based on three-year average:

- Rewards all degrees and certificates regardless of timeframe achieved or where student originated
- Encourages institutions to bolster retention and advising programs to assure educational outcomes
- Funded via formula funding appropriations

Recommended Appropriation for 2010-11:
- General Academic Teaching Institutions: $178 million
- Community and Technical Colleges: $100 million
Recommendations for Universities

*Increase over 2008-2009 biennium*

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Coordinating Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Instruction &amp; Operations Formula</td>
<td>$300 million</td>
</tr>
<tr>
<td>Performance Funding</td>
<td>$178 million</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$220.1 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$698.1 million</strong></td>
</tr>
</tbody>
</table>
Summary of Coordinating Board Recommendations for Universities

Recommended Biennial Total: $4.7 billion

Overall change from 2008-2009 biennium: $698.1 million
Formula Funding
Recommendations for Community Colleges
Summary of Coordinating Board Recommendations for CCs

- Significantly increase base funding by $648.2 million to fund the formula at 100% of the median cost level minus tuition and fees.

- Phase-in completed contact hours over 4 years contingent on a minimum funding increase over base formula funding to ensure that no institution receives less funding than 2008-09.

- $95.2 million for performance based funding.

- $4.5 million in trusteed funding for alternative teacher certification programs.

- $4.8 million in small institution supplement funding.

- $30 million trusteed for developmental education funding.
Recommendations for Community Colleges

*(Increase over 2008-2009 biennium)*

<table>
<thead>
<tr>
<th>Recommendation</th>
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<tr>
<td>Increase in Formula</td>
<td>$648.2 million</td>
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<tr>
<td>Performance Funding</td>
<td>$95.2 million</td>
</tr>
<tr>
<td>Developmental Ed</td>
<td>$30 million</td>
</tr>
<tr>
<td>Small Institution Supplement</td>
<td>$4.8 million</td>
</tr>
<tr>
<td>Alternative Teacher Certification</td>
<td>$4.5 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$782.7 million</strong></td>
</tr>
</tbody>
</table>
Summary of Coordinating Board Recommendations for CCs

Proposed biennial total: $2.48 billion

Overall increase from 2008-2009 biennium: $782.7 million
Formula Funding
Recommendations for
Health-Related
Institutions
Recommendations for Health-Related Institutions

- Restore funding rates to 2000-01 biennial levels

- Phase-in the restoration by increasing the rates to one-half of the difference between the 2008-09 and 2000-01 funding levels

- In 2012-13 biennium, restore 100% of the 2000-01 funding levels
## Coordinating Board Recommendations

**Health-Related Institutions**

*(Increase over 2008-2009 biennium)*

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction &amp; Operations Formula</td>
<td>$22.4 million</td>
</tr>
<tr>
<td>Research Enhancement Formula</td>
<td>$17.7 million</td>
</tr>
<tr>
<td>Mission Specific Formula</td>
<td>$5.6 million</td>
</tr>
<tr>
<td>Infrastructure Formula</td>
<td>$50.2 million</td>
</tr>
<tr>
<td>Graduate Medical Education Formula</td>
<td>$16.5 million</td>
</tr>
<tr>
<td><strong>Total -- Formulas</strong></td>
<td><strong>$112.4 million</strong></td>
</tr>
<tr>
<td>Nursing Shortage (All Sectors Eligible)</td>
<td>$10.3 million</td>
</tr>
</tbody>
</table>

Nursing Shortage (All Sectors Eligible)
Proposed biennial total: $1.624 billion

Overall increase from 2008-2009 biennium: $112.4 million
Financial Aid
How does a student pay for college?

**Grants & Special Programs:**
- Federal and State Grants
- Institutional Aid
- Private Scholarships
- Work-Study

**Loans:**
- FFELP
- Direct Lending
- Plus Loans
- State Loans
- Private Loans

**Student/Parent Resources**
Since 2000, Texas has made substantial investments in financial aid to improve access to higher education

- Texas has invested more than $2.5 billion in state financial aid, including this biennium.
- During this time period, Texas created TEXAS Grants, TEOG and the B-on-Time Loan Program.
- Texas created several tuition set-aside programs that also fund financial aid.
Even with unprecedented investment, aid is not keeping pace with growth in population & cost

- Large numbers of eligible students do not have access to our major grant programs.
- Estimates for the current biennium show that:
  - Only about 50% of eligible TEXAS Grant recipients will receive an award (~ 82,000 students).
  - Less than 4% of eligible TEOG Grant (2-year colleges) recipients will receive an award (~ 8,000 students).
  - Funding all eligible students under these programs with financial need would cost an additional $1.3 billion this biennium.
From FY 07 to FY 08, institutional aid increased by 3% while state aid decreased by 1%.
From FY07 to FY08, there was a slight increase in the percentage of students getting grants and a slight decrease in the percentage of students who took out loans.

**FY 2007**
- Grant: 39%
- Loan: 60%
- Work-Study: 1%

**FY 2008**
- Grant: 41%
- Loan: 58%
- Work-Study: 1%

**TEXAS**
### Major Financial Aid Programs

**FY 2008**

<table>
<thead>
<tr>
<th>Program</th>
<th>Students</th>
<th>Funding</th>
<th>Average Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grants</td>
<td>346,932</td>
<td>$911,482,112</td>
<td>$2,627</td>
</tr>
<tr>
<td>TEXAS Grants</td>
<td>54,448</td>
<td>$199,640,555</td>
<td>$3,667</td>
</tr>
<tr>
<td>TEG</td>
<td>31,143</td>
<td>$102,841,147</td>
<td>$3,320</td>
</tr>
<tr>
<td>Federal Work-Study</td>
<td>29,099</td>
<td>$51,174,489</td>
<td>$1,759</td>
</tr>
<tr>
<td>B-on-Time Loans</td>
<td>6,819</td>
<td>$32,183,482</td>
<td>$4,720</td>
</tr>
<tr>
<td>TEOG</td>
<td>4,526</td>
<td>$6,992,213</td>
<td>$1,545</td>
</tr>
</tbody>
</table>
TEXAS Grant Funding

- 2008-09 Biennium
  - Appropriation $427.8 million
  - 82,000 students will receive grants (about 50% of eligible students)
  - 80,000 eligible students will not receive grants
Texas Educational Opportunity Grant

- 2008-09 Biennium
  - Appropriation $14 million
  - 8,000 students will receive grants (less than 4% of eligible students)
Need plus merit model

Add additional merit components to the TEXAS Grant Program (two of the following):

- Graduate with the Distinguished Achievement Curriculum or the International Baccalaureate (and pass the IB test)
- Achieve a college readiness score of 1590 on the SAT or a 23 on the ACT
- Rank in the top third of high school class;
- Graduate from high school with a 3.0 GPA on a 4.0 scale or its equivalent
Economic Benefits of Achieving the Goals of Closing the Gaps

By 2030:

- For every $1 the state invests in higher education, it receives approximately $8 in return.
- Annual gains (in 2006 dollars) of:
  - $489.6 billion in total spending
  - $194.5 billion increase in gross state product
  - $121.9 billion increase in personal income
  - 1,023,281 increase in jobs

Source: The Perryman Group, “A Tale of Two States”

http://www.thecb.state.tx.us/reports/PDF/1345.PDF