TEXAS HIGHER EDUCATION COORDINATING BOARD
2010-11 Biennium Funding Request Summary
(Exceptional Items have been adjusted to reflect House base funding levels)

Total Request (All Funds) (adjusted to House Base)	**$2.204 billion**		
House Version--Base (all funds)	**$1.302 billion**		
Operating Budget (Goals A & H)		**$84.3 million**	
Operations			
GR and GR-Dedicated			$29.8 million
Non-GR Funds (loan funds and collected amounts)			$21.1 million
Program Funds			
College Readiness Initiative			$33.4 million
Trusteed Funds (Goals B, C, D, E, G)		**$1.115 billion**	
GR and GR-Dedicated			$1.060 billion
Non-GR (Other funds-TEA, collected funds, Tobacco funds)			$54.7 million
Federal Funds (Goal F)		**$102.7 million**	
Exceptional Items Req. (above House base)	**$902 million**		

Exceptional Items Request (adjusted to reflect House base)

	Issue Grouping/Priority Number/Strategy Number & Description (Items are grouped together by issue)	Biennial Exceptional Item (adjusted to reflect funding in House	Total Amount in House Base for Strategies that include	Total Biennial Funding Requested For the Strategies that
Financial Aid				
	Strategy B.1.9. Student Financial Aid Programs**	$637,327,422	$776,179,553	$1,413,506,975
1	Texas Educational Opportunity Grant	193,585,082	14,001,000	207,586,082
2	TEXAS Grant	367,063,087	430,228,019	797,291,106
3	Texas College Work-Study Program	5,085,806	15,001,000	20,086,806
4	Texas B-On-Time Loan Program	71,593,447	105,000,224	176,593,671
6	Strategy B.1.6. Teacher Education Loan Repay	21,021,080	9,042,886	30,063,966
Incentive Funding				
5	Strategy B.1.12. Incentive Funding	100,000,000	100,000,000	200,000,000
Student Preparation and Success				
	Strategy A.1.3. College Readiness Initiatives**	18,000,000	36,768,627	54,768,627
8	Building Support & Capacity for CRS	11,000,000	0	11,000,000
9	CRS Demonstration Sites	3,000,000	0	3,000,000
10	Higher Education Transition Program	4,000,000	0	4,000,000
11	New Strategy. Developmental Education (Formula Rec)	30,000,000	0	30,000,000
21	New Strategy. Coll Readiness Research & Prog. Eval	736,500	0	736,500
24	Strategy B.1.11. Engineering Recruitment Prog.	2,000,000	2,000,000	4,000,000
25	New Strategy. Technology Workforce Development	8,000,000	0	8,000,000
Health Programs				
7	Strategy D.1.8. Physician Education Loan Repayment	2,152,906	1,847,094	4,000,000
12	Strategy D.1.9. Nursing Shortage Reduction Program	10,300,000	14,700,000	25,000,000
13	New Strategy. Hospital-Based Nursing Educ Grants	10,000,000	0	10,000,000
14	Strategy D.1.7. Joint Admissions Medical Program	10,000,000	5,616,355	15,616,355
15	Strategy D.1.3. Family Practice Residency Program	14,675,000	17,464,310	32,139,310
19	Strategy D.1.4 Statewide Preceptorship Program	1,037,146	904,289	1,941,435
Research				
20	C.1.1. Advanced Research Program	25,490,000	16,723,141	42,213,141
Items that Don't Fit in One of the Other Groups				
18	New Strategy. Gen Acad Enroll Growth (Formula Rec)	3,500,000	0	3,500,000
23	New Strategy. Alt Cert Teaching (Formula Rec)	4,500,000	0	4,500,000
16	H.1.1. CB Data Center Services Above Pre-DCS	536,738	0	536,738
17	H.1.1. CB Out-of-Scope DCS-Related Projects	770,000	0	770,000
26	H.1.3. CB Space Planning – New Lease	2,000,000	0	2,000,000
	Total Requested	**$902,046,792**	**$981,246,255**	**$1,883,293,047**

** **Strategy B.1.9. Student Financial Aid** and **Strategy A.1.3. College Readiness Initiatives** include multiple exceptional items. Those items are grouped together in the highlighted sections under a line subtotaling the total request for each of those strategies. The funding on the "Student Financial Aid" total line is higher than the total of the individual programs listed because the amount for TEG ($211 million) is included in the total for this strategy (B.1.9) , but the Board did not request an exceptional item for the TEG program.

*** This column reflects only the current funding included in the strategies for which an exceptional item is requested; it does not show the House base funding levels in the strategies for which no exceptional item was requested. "0" in this column reflects new strategies which were not funded in the 2008-09 appropriation, and therefore, they are not included in the House base.

Texas Higher Education Coordinating Board

Exceptional Items - In Priority Order

Adjusted to reflect House Base (amounts in FY10 include UB funds that will carry forward from 08-09)

RANKING	NAME	FY10**	FY11	Total	FTE
1	Texas Educational Opportunity Grant (funding at 33%)	$ 95,025,795	$ 98,559,287	$ 193,585,082	1
2	TEXAS Grant Program (funding at 67%)	$ 125,749,949	$ 241,313,138	$ 367,063,087	1
3	Texas College Work-Study Program	$ 2,542,403	$ 2,543,403	$ 5,085,806	1
4	Texas B-On-Time Loan Program	$ 8,400,000	$ 63,193,447	$ 71,593,447	-
5	Incentive Funding	$ 50,000,000	$ 50,000,000	$ 100,000,000	-
6	Teacher Education Loan Repayment Program	$ 10,510,540	$ 10,510,540	$ 21,021,080	1
7	Physician Education Loan Repayment Program	$ 1,074,953	$ 1,077,953	$ 2,152,906	-
8	Building Support and Capacity for Implementation of the CRS	$ 5,500,000	$ 5,500,000	$ 11,000,000	5
9	College Readiness Standards (CRS) Demonstration Sites	$ 1,500,000	$ 1,500,000	$ 3,000,000	2
10	Higher Education Transition Programs	$ 2,000,000	$ 2,000,000	$ 4,000,000	2
11	Developmental Education	$ 15,000,000	$ 15,000,000	$ 30,000,000	-
12	Professional Nursing Shortage Reduction Program	$ 5,150,000	$ 5,150,000	$ 10,300,000	-
13	Hospital-Based Nursing Education Partnerships	$ 5,000,000	$ 5,000,000	$ 10,000,000	3
14	Joint Admissions Medical Program	$ 10,000,000	** UB	$ 10,000,000	-
15	Family Practice Residency Program	$ 7,337,500	$ 7,337,500	$ 14,675,000	-
16	DCS Services Above Pre-DCS Costs	$ 379,369	$157,369	$ 536,738	-
17	Out-of-Scope DCS-Related Projects	$ 385,000	$ 385,000	$ 770,000	-
18	Dramatic Enrollment Growth for General Academic Institutions	$ 1,750,000	$ 1,750,000	$ 3,500,000	-
19	Statewide Preceptorship Program	$ 518,573	$ 518,573	$ 1,037,146	-
20	Advanced Research Program	$ 25,490,000	** UB	$ 25,490,000	-
21	College Readiness Research and Program Evaluation	$ 380,000	$ 356,500	$ 736,500	2
22	Texas Governor's School (included in House Base)			$ -	-
23	Alternative Certification Teaching Programs	$ 2,250,000	$ 2,250,000	$ 4,500,000	-
24	Engineering Recruitment Program	$ 1,000,000	$ 1,000,000	$ 2,000,000	-
25	Technology Workforce Development Grant Program*	$ 4,000,000	$ 4,000,000	$ 8,000,000	-
26	Space Planning - New Lease	$ 800,000	$ 1,200,000	$ 2,000,000	-
	TOTAL	**$ 381,744,082**	**$ 520,302,710**	**$ 902,046,792**	**18**

* Includes $2,000,000 each year of industry matching funds. Only $4,000,000 of the request is General Revenue.

** UB denotes "Unexpended Balance" Authority

2/11/2009

Texas Higher Education Coordinating Board

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 the attached table).

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

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:	$10.8 billion
Estimated Increase in GAI core costs	**$685.4 million**

GR Calculation (using CB formula recommendation method)

Performance Funding	$178.0 million
Formula Fund at 75% GR	+ $380.6 million
Total GR Funding needed for GAIs	**$558.6 million**

Balance needed to cover estimated increase in core costs

Appropriated Tuition/Fees	$40 million
Non-Appropriated Tuition/Fees	+ 86.8 million
Total T/F needed to cover balance	**$126.8 million**

(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)
LAR for 2010-11 • *Base : $427.8M (<50% of eligible students)* • *Request: +$367.5M (>66% eligible students: +63,977)* Board recommendation, October 2008 • Target needy students who show readiness for university work • Use entirely for needy students attending 4-year programs • Adjust merit component to encourage better preparation in high school • 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 • Phase in over 4 years (beginning with 2010 graduates) • Evaluate impact on income and ethnicity • *Modified Funding Recommendation using current criteria in FY 2010 & adjusted criteria in FY2011: +$261.3 M or 67% of eligible students in 2010 and over 90% of eligible students in 2011*	LAR for 2010-11 • *Current : $14M (<4% eligible students)* • *Request: $193.6M more (33% eligible students: +98,425)* • Emphasize program's focus on needy student attending community college • Criteria remain needs-based • No merit component so students can attend community college while they prepare to take next step • Through 2+2 programs, encourage students to pursue 4-year degree; eligibility for TEXAS grant upon graduation from college & transfer to a public university • Helps ensure lower debt load for students

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.