Outline of Testimony

House Higher Education Committee
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Commissioner of Higher Education

FUNDING FOR HIGHER EDUCATION IN THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Funding for the purposes of higher education is found in the American Recovery and Reinvestment Act through three primary means: 1) Higher Education Funding; 2) Student Financial Aid; 3) Competitive Grants.

1. HIGHER EDUCATION FUNDING

The primary means that the American Recovery and Reinvestment Act will support public K-12 and higher education is through **$53.6 billion** provided to the State Fiscal Stabilization Fund.

- $48.5 billion of the $53.6 billion will be allocated through state governors.
- The Texas portion of this $48.5 billion is estimated to be **$3.973 billion**.
    - These funds may be used to support public K-12 education and higher education. For any funds used for higher education:
        - The state must assure that it will maintain state support for higher education at least at the level the state provided in FY2006 (maintenance of effort).
        - If the state appropriation for FY2010 is less than in FY2006, the state would have to get a waiver from the Secretary of Education.
        - Otherwise, funds to public institutions of higher education can be the level needed to restore state support to the greater of FY2008 or FY2009 levels (excluding tuition and fees paid by students).
    - The portion of the funds to be allocated to higher education is yet undetermined, but may be used for the following purposes:
        1. Mitigation of the need to raise tuition and fees for in-state students.
        2. Modernization, renovation, or repair of facilities at institutions of higher education that are primarily used for instruction, research, or student housing, including modernization, renovation, or repairs that are consistent with a recognized green building rating system. However, funds may not be used for the maintenance of systems, equipment, or facilities; athletic facilities; or religious instruction facilities.

- The remaining **$5 billion** of the $53.6 billion is set aside for the Secretary of Education to distribute to the states at the Secretary's discretion. It is our interpretation the funds are to be used for two programs primarily related to public K-12 education:
    - State Incentive Grants ($4.25 billion)
    - Innovation Fund ($650,000)

2. STUDENT FINANCIAL AID

- Pell Grants
    - Recovery funding: **$15.636 billion** – Title VIII, p. 76 and p. 69
    - The estimate for Texas is an additional **$522.5 million** in Pell grants for FY2010 (2009-2010 academic year). Amounts not used in FY2010 can be used to supplement FY2011.
    - This would represent a significant increase to support Texas needy students. Texas received $911 million for 347,000 students in FY2008 (latest data available).
    - According to the US Department of Education, the Pell grant amount is scheduled to increase from the current maximum of $4,731 to $5,350 for FY2010, an increase of $619.

- College Work-Study
    - Recovery funding: **$200 million**
    - Estimate for Texas is an additional **$10.7 million** in FY2010.
    - Texas received $51.2 million in FY2008 (latest data available).
    - Current law requires that college work-study funds must be matched with 25 percent non-federal funds to support low and moderate-income undergraduate and graduate students who work while attending school.

3. COMPETITIVE GRANTS AVAILABLE TO HIGHER EDUCATION

- Teacher Quality Enhancement, State Grants **$100 million** – Title VIII, p. 69.
    - Modernize the teaching workforce
    - Address teacher shortages,
    - Provide new routes to teaching for jobless individuals seeking to enter the teaching field

- Statewide Data Systems, State Grants **$250 million –** Title VIII, p. 69.
    - Competitive grants to States to enable them to design and develop statewide longitudinal data systems that use individual student data for reporting and improving student achievement, and facilitate research to improve student achievement and close achievement gaps.
    - Enable States to increase the capacity of their data systems.

Texas Higher Education Coordinating Board

Staff Recommendation for Use of Stimulus Funds for Higher Education

Coordinating Board staff recommends that one-third of the total funds available from the American Recovery and Reinvestment Act for education, currently estimated at $3.973 billion, be allocated to higher education. This would be approximately $1.325 billion.

Of the $1.325 billion, Coordinating Board staff recommends that $711.5 million be distributed to public and private institutions of higher education for campus building modernization, repair, and renovation, with a higher weight given to those projects that remediate critical deferred maintenance or address safety and accessibility issues. Staff has received responses from most institutions, including public and private two-year and four-year institutions, for projects ranging from $80,000 up to $115 million for a total of $1.9 billion. In order to rate and rank these projects in priority order, staff recommends a review process be conducted by the Coordinating Board similar to the review process used for Tuition Revenue Bond projects. The infrastructure for this process is already in place and reviews can be done relatively quickly.

The remaining funds ($613.5 million) would be distributed to public institutions of higher education through a new funding formula to mitigate increases in tuition and fees for the 2010-2011 biennium. In order to receive funding, institutions would have to agree not to raise tuition and fees for in-state students up to a certain percentage, which would take into account cost of living increases. The proposed distribution of funds below is based on 20 percent of the current average tuition and fees currently collected by each sector of higher education:

General Academic Institutions	$446.0 million
Community Colleges	$135.0 million
TSTCs and Lamars	$ 7.5 million
Health-related Institutions	$25.0 million
	$613.5 million

To calculate these amounts, we took the percentage of tuition and fee increases from 2004 through 2008 at general academic institutions and projected forward to 2011. Then we factored in an additional 3 percent per year in enrollment growth. The 20 percent of current tuition and fee collections was applied to all sectors.

Since we do not expect the federal stimulus funds to replace existing state revenue, we are proposing to use federal stimulus funds to replace tuition revenue that institutions would need to fund their operations for the 2010-2011 biennium. The proposed amount of $613.5 million is over and above the funding level for Senate Bill 1, as introduced. We could have proposed a greater allocation to community colleges if we had taken into consideration the mitigation of property tax increases. However, since our goal is to mitigate increases in tuition and fees, we limited our methodology to tuition and fee collections. Additionally, it is important to note that we are recommending financing building repair projects at community colleges, which are normally funded with local property tax dollars. This method of finance will somewhat mitigate the need to raise local property taxes for infrastructure projects for some community college districts.