

TEXAS HIGHER EDUCATION COORDINATING BOARD

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Agency at a Glance

The Legislature created the Texas Higher Education Coordinating Board in 1965 to provide statewide leadership for Texas' public institutions of higher education, to promote quality education, and to avoid unnecessary duplication among program offerings. The Board's key functions include:

- developing, implementing, and evaluating a long-range strategic plan for Texas higher education;
- collecting, analyzing, and disseminating data on higher education;
- reviewing and approving degree programs and the construction of major facilities at public institutions of higher education;
- administering state financial aid programs and disbursing financial aid funds to institutions of higher education; and
- administering state and federal grant programs to support higher education goals.

The Texas public higher education system includes 38 universities, 50 community college districts, nine health science centers, three state colleges, and four state technical colleges. In fiscal year 2011, more than 1.3 million students were enrolled in these public institutions.

Openly considering the diverse perspectives of the state's higher education institutions is fundamental to effective coordination.

Summary

With vast differences in the size, type, mission, geography, needs, and resources of Texas' higher education institutions, openly considering these diverse perspectives is fundamental to effective coordination. The Texas Higher Education Coordinating Board makes a large overall effort to obtain stakeholder input, but then makes major decisions in isolation or without clearly communicating the reasons for significant, and sometimes last minute, changes. This culture makes it difficult for the agency to foster a collaborative environment essential for moving the state forward on shared higher education goals.

Internally, myriad duties, programs, initiatives, and expectations have led the agency astray from its core functions as a coordinating entity. The lack of a

clear, agency-level strategic plan to prioritize among its multitude of duties, as well as outdated and confusing statutory guidance, results in ongoing confusion about the agency's role and what it plans to focus on every two years.

Because the Coordinating Board lacks performance measures or clear means for the Legislature to judge the performance of the agency, the success or failure of the agency's many programs is not always obvious. For example, the B-On-Time loan program leaves millions of valuable financial aid dollars unspent and puts millions of state dollars at risk through its high default rate.

The agency also lacks a consistent monitoring function to ensure more than \$900 million in disbursed funds are used in accordance with the State's intent or that critical data, such as enrollment data used to allocate more than \$3.8 billion in formula funding, is accurate. The following material summarizes the Sunset Commission's recommendations on the Texas Higher Education Coordinating Board.

Issue 1

The Governing Board's Limited Stakeholder Input and Experience Hinder Its Ability to Coordinate Texas' Higher Education Community.

Despite the agency's extensive efforts to obtain stakeholder feedback, the governing board itself receives little direct stakeholder and public input. Together with the agency's isolated approach to decision making, stakeholders lack clear means to provide direct feedback or offer varying perspectives related to major decisions before the Board. The Board's structure also fails to ensure higher education experience to aid in navigating the complexities of, and to independently direct, state higher education policy.

Recommendations

Change in Statute

1.1 Require one-third of the members of the Board to have experience in the field of higher education.

This recommendation would require three of the nine public members of the governing board to have experience in the field of higher education governance or administration, such that the Board includes experience from both universities and community or technical colleges. This recommendation would not affect current appointments to the Board.

1.2 Require the Coordinating Board to provide opportunities for public comment as an agenda item for each board meeting.

To comply with the spirit of Sunset's Across-the-Board Recommendation to allow reasonable opportunities for public comment, this recommendation would also encourage the Coordinating Board to allow public comment before making decisions on any matter on which the agency anticipates significant stakeholder interest.

1.3 Require the Coordinating Board to adopt rules for its use of advisory committees, ensuring the committees meet standard structure and operating criteria, and report recommendations directly to the Board.

The Coordinating Board would adopt rules, in compliance with Chapter 2110 of the Texas Government Code, regarding the purpose, tasks, manner of reporting, and abolishment dates for each of its advisory

committees. The agency would also annually evaluate each committee's work, usefulness, and costs related to the committee's existence and report the results of its evaluation to the Legislative Budget Board. The Coordinating Board would also be required to adopt rules to ensure its advisory committees report any recommendations directly to the governing board.

1.4 Require the Coordinating Board to strengthen its internal controls for allocating financial aid funding and ensure stakeholder input by adopting allocation methodologies in rule.

This recommendation would require the Coordinating Board to develop procedures to check for accuracy in applying the allocation formulas, to guide staff in allocating financial aid funding to institutions to prevent potential errors. Statute would also direct the agency to consider adopting more sophisticated technological means of managing its fund allocations as it updates its information systems, including technologies that allow for built-in controls, such as pre-populated fields. The Coordinating Board would also be required to formally adopt rules identifying allocation methodologies for all financial aid programs for which the agency makes allocations.

Management Action

1.5 Direct the Coordinating Board to restructure and reduce its number of advisory committees.

The Coordinating Board should restructure and reduce its number of advisory committees to move from a multitude of narrow, topic-specific committees to a smaller number of standing committees with broad-based jurisdiction.

Issue 2

Outdated and Unnecessary Statutory Provisions Divert the Agency's Focus From Its Core Functions as a Higher Education Coordinating Entity.

Since the Legislature created the Coordinating Board nearly 50 years ago, it has been adding onto the agency's statutory duties with a variety of planning functions, regulatory approvals, reporting requirements, and programs. Over time, all of these additions have begun to weigh the agency down to the point that its core functions as a higher education coordinating entity have been obscured. In addition, statutory language for two of the agency's key functions, long-range planning and academic program approval, is outdated, unclear, and confusing.

Recommendations

Change in Statute

2.1 Redefine the Coordinating Board's powers and duties in statute to reflect the major functions of a modern higher education coordinating entity.

This recommendation would replace the section of the Texas Education Code that defines the agency's powers and duties with a concise list of major duties. In place of the current statutory language, the agency would represent the highest authority in the state in matters on public higher education and promote quality education throughout the state by:

- providing a statewide perspective to ensure the efficient and effective use of higher education resources and to eliminate unnecessary duplication;
- developing and evaluating progress toward a long-range plan for higher education and providing analysis and recommendations to link state spending on higher education with the goals of the long-range plan;
- collecting and making accessible data on higher education in the state and aggregating and analyzing data to support policy recommendations;
- making recommendations to improve the efficiency and effectiveness of transitions, such as between high school and college, between institutions for transfer purposes, or between college and the workforce; and
- administering programs and trusted funds for financial aid and other grants as necessary to achieve the state's long-range goals and as directed by the Legislature.¹

2.2 Redefine long-range planning for higher education in statute.

This recommendation would eliminate all existing statutory requirements for higher education planning. Instead, the agency would be required to develop one long-range plan for higher education, which would mirror the agency's current efforts related to the *Closing the Gaps* plan. Statute would define essential elements of the plan to include long-term, measurable goals and strategies for meeting those goals, an assessment of higher education needs, regular updates to the plan, methods to obtain stakeholder input on the plan, and biennial progress reports.

2.3 Update the Coordinating Board's statute to clearly define its academic program approval authority in one section of law.

This recommendation would consolidate the agency's certificate and degree program approval and authority in a new section of statute. The Coordinating Board would have the authority to approve all new degree and certificate programs at public institutions of higher education based on need, not duplicating other programs, adequate financing and faculty, and meeting academic or workforce standards. Institutions would secure preliminary approval for new degree and certificate programs from the Coordinating Board, rather than just notifying the Coordinating Board, before applying for full program approval.

Under this recommendation, the Coordinating Board would be required to review existing certificate and degree programs at least every 10 years to ensure programs still meet the criteria for new programs. The Coordinating Board would also review the graduation rates of degree and certificate programs at least every four years, and would be authorized to consolidate or eliminate unneeded programs based on the same criteria outlined above, including the program's annual graduation rate.

The Coordinating Board would periodically evaluate the role and mission of all public four-year institutions in conjunction with development of the long-range plan for higher education in Recommendation 2.2, but would no longer approve mission statements. The Coordinating Board would have the authority to require institutions to report administrative changes to organizational units, but would no longer approve new schools or departments. The Coordinating Board would also have the authority to approve off-campus courses offered for credit within the state and distance education courses, but would no longer approve out-of-state, off-campus courses.

2.4 Eliminate 20 unfunded and unnecessary programs from statute.

This recommendation would remove 19 unfunded programs, including the Advanced Technology Program, Grants for Teaching and Education Research, and Texas Partnership and Scholarship Program; as well as the unnecessary Research Assessment Program from statute.²

2.5 Eliminate four unnecessary reporting requirements, but continue 18 that still serve a purpose.

This recommendation would continue all necessary reporting requirements and remove the following unnecessary reports from statute: *Report on Student Loan Funds*; *Report on Restricted Research Expenditures*; *Texas Opportunity Plan Report*; and *Progress Report on P-16 College Readiness and Success Strategic Action Plan*.

2.6 Require the Coordinating Board to periodically re-evaluate the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.

This recommendation would require the Coordinating Board to re-evaluate its rules and policies every five years to ensure the continuing need for the data requests it imposes on institutions. In conducting these evaluations, the agency would consult with institutions to identify unnecessary requests or ways to streamline those requests. The Coordinating Board would then remove, from rule and policy, data requests identified as unnecessary.

2.7 Provide for the Coordinating Board to administer pilot projects to identify best practices only in circumstances where other entities cannot or will not administer the programs.

This recommendation would provide that the Coordinating Board no longer be involved in administering or overseeing programs to identify best practices, except in cases where funding or other restrictions prevent entities other than the agency from administering the programs. The Coordinating Board would refrain from initiating new pilot projects unless it can justify that other entities, such as non-profits or institutions, are not engaging in similar projects or that the initiative cannot be performed by another entity.

Issue 3

The Coordinating Board's Overarching Focus on *Closing the Gaps* Impedes the Agency's Strategic Management of Its Own Operations.

Closing the Gaps by 2015 is the State's long-range plan for higher education, and the ultimate success or failure of the plan depends mostly on the actions of the state's colleges and universities. *Closing the Gaps* is not, and was never meant to be, a strategic plan for the Coordinating Board itself.

However, since its creation in 2000, *Closing the Gaps* has become the driving force behind the agency's every decision. While well-intentioned, this overarching focus on *Closing the Gaps* has impeded the agency from clearly defining its own mission and role. The Coordinating Board also lacks a single manager to run, and ensure accountability for, the day-to-day operations of the agency, and struggles to communicate its activities via its website.

Recommendations

Management Action

3.1 Direct the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions.

This recommendation aims to help the Coordinating Board develop a more meaningful and comprehensive strategic planning process by setting goals and strategies that are specific to the functions of the agency. In developing its new strategic planning process, the agency would need to find a balance between maintaining long-term focus on the goals of *Closing the Gaps* and ensuring agency staff have clear guidance of what their priorities are on a daily basis.

3.2 Direct the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations.

The person chosen for this position should report directly to the Commissioner and should have experience managing large organizations, but does not necessarily need to possess academic experience. At a minimum, the functions of this position should include ensuring compliance with laws, ensuring consistency in communications, assessing the efficiency of the agency's organization, preparing the agency's strategic plan and budget, and ensuring agency staff is aware of the agency's priorities and working efficiently towards established goals. When designating this position, the agency should ensure that the duties are well-defined and distinct from the duties of the Commissioner.

3.3 Direct the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions.

The Coordinating Board should work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to change its budget goals and strategies and develop agency-specific performance measures to support its strategic planning process. The budget goals and strategies should more closely follow the agency's functions and organization and the new measures should be designed to provide an accurate assessment of the agency's activities.

3.4 Direct the Coordinating Board to redesign its websites to better meet the needs of its stakeholders and ensure centralized control over the sites' content and organization.

The Coordinating Board should redesign its primary website and complete the redesign of the Texas Higher Education Data website, tailoring information to different audiences and presenting the most pertinent information in the most accessible way. The agency should provide space on either the primary site or the data site to present the most frequently requested statewide data, such as enrollment and graduation rates.

3.5 Direct the Coordinating Board to develop a time management system for its staff.

The Coordinating Board should develop a system that will provide agency management with information on the time its staff spends on different programs and activities. Management should then use this time accounting information to evaluate use of staff resources, including whether staff time is spent in accordance with agency priorities, and whether programs or activities should be eliminated, streamlined, or restructured more efficiently across divisions.

Issue 4

Texas' B-On-Time Loan Program Is Not Working as Intended, Leaving Millions of Financial Aid Dollars Unspent or At Risk From Default.

The Texas B-On-Time Loan Program provides zero-percent interest loans for eligible students, and offers loan forgiveness to students who graduate with at least a B-average and within a specific number of credit hours or years. In fiscal year 2011, institutions failed to disburse more than \$32 million in B-On-Time funds, only 38 percent of participants fulfilled the program's forgiveness requirements, and the program's default rate was nearly triple the rate of the agency's other state loan program. The program appears particularly ill-suited to two-year institutions that use very little of their B-On-Time allocations.

Recommendations

Change in Statute

4.1 Remove all two-year institutions from participation in the B-On-Time loan program and transfer the funding for public two-year institutions to a program better suited to those institutions' needs.

This recommendation would eliminate all two-year institutions — including community colleges, public technical colleges, public state colleges, and private two-year institutions — as eligible institutions for the B-On-Time program since few students from these institutions qualify for the program. This change would work in conjunction with Recommendation 4.2 to maintain this financial aid for students at public two-year institutions by transferring B-On-Time funding for these institutions to the Texas Educational Opportunity Grant (TEOG) program.

Change in Appropriations

4.2 Request that the Legislature, through the appropriations process, transfer B-On-Time funding for public two-year institutions to the Texas Educational Opportunity Grant program.

This recommendation expresses the will of the Sunset Commission that the Legislature transfer B-On-Time general revenue funding previously allocated for public two-year institutions to the TEOG program, which is uniquely structured to meet the needs of public two-year institution students. Current B-On-Time participants at all two-year institutions would continue to have their loans renewed using general revenue, and funding for renewal B-On-Time participants at public two-year institutions would be phased out of the B-On-Time program into TEOG.

Management Action

4.3 Require the Coordinating Board to include information about the B-On-Time program's progress in its annual financial aid report.

The Coordinating Board should report on the progress of the B-On-Time program in its existing *Report on Student Financial Aid in Texas Higher Education* to the Legislature. The Coordinating Board should track key performance measures for B-On-Time, including the amount of funds disbursed, number of students achieving loan forgiveness, and default rate. If program outcomes do not improve after four years, the Legislature should consider abolishing the B-On-Time program and transferring its funding to other state financial aid programs.

4.4 Direct the Coordinating Board to seek a revision to federal regulations for alternative loans to exclude restrictions on state-sponsored loan programs.

The Coordinating Board, through the Commissioner of Higher Education, should seek changes to federal regulations to exclude state-sponsored student loan programs from federal alternative student loan regulations, which limits financial aid officers at institutions from fully promoting state loan programs such as B-On-Time.

Issue 5

The Coordinating Board's Limited Monitoring of Funding and Data Fails to Ensure Their Appropriate Use and Accuracy.

The Coordinating Board flows almost \$910 million in financial aid for students and other grants to institutions of higher education annually, and collects critical data from institutions that the Legislature uses to fund and plan higher education. Despite the significant volume of state funds at risk, the Coordinating Board does not sufficiently or consistently monitor institutions' use of funding to make certain that aid goes to eligible students.

While the Coordinating Board's internal audit program performs limited monitoring through audits of funds and data at select institutions, this role is not standard for internal audit, diverts its focus from agency operations, and can compromise its ability to independently evaluate the agency's monitoring efforts. Monitoring of key data, primarily enrollment figures used for formula funding to institutions, is also split between the Coordinating Board and the State Auditor's Office.

Recommendations

Change in Statute

5.1 Require the Coordinating Board to establish a risk-based, agency-wide compliance monitoring function to help ensure the proper use of its funding and the accuracy of its data.

This recommendation would statutorily require the Coordinating Board to create a compliance monitoring function for grant and loan funds flowing out of the agency and self-reported data coming into the agency. This recommendation would eliminate the need for enrollment data audit requirements in rider, and consolidate monitoring and audits of enrollment data from all types of institutions at the Coordinating Board.

The new compliance monitoring function would be required to conduct regular monitoring of financial aid, the largest category of state funds flowing through the Coordinating Board to institutions of higher education, to ensure that state funds go to eligible students. The Coordinating Board would also routinely verify key data reported by institutions of higher education using a risk-based approach to focus on data presenting the highest risks to the State, such as enrollment data used for formula funding.

Change in Appropriations

5.2 Request that the Legislature, through the appropriations process, use existing state funds and increase the Coordinating Board's full-time equivalent cap for the new compliance monitoring function.

To fund the monitoring function established by Recommendation 5.1, the Sunset Commission recommends that the Legislature use a small portion of the General Revenue already designated for financial aid and formula funding for institutions. The Legislature often uses a limited amount of grant funds or other allocated funds to pay for the administration of state funds, and as the funds most at risk, the administrative costs of monitoring should come from these two sources before allocation to institutions.

While using these funding sources for administration represents a real reduction of money to institutions and financial aid, the estimated cost of monitoring represents a tiny fraction of the total funds in need of oversight. The Sunset Commission also recommends that the Legislature increase the Coordinating Board's staff by four full-time equivalents to perform the new monitoring function.

Management Action

5.3 The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations.

The Coordinating Board's internal audit office should focus its resources on audits of its own agency's operations, such as its administration of financial aid and grants, to ensure adequate internal controls to minimize risks to the State. The agency's Internal Auditor should only perform audits of institutions when warranted by significant risk.

Issue 6

Texas Has a Continuing Need for the Texas Higher Education Coordinating Board.

The Sunset Commission concluded that because of the decentralized nature of the state's higher education system, the State continues to need a statewide perspective on higher education in Texas. The State benefits from having an entity to plan for statewide higher education needs, aggregate statewide data, coordinate distribution of higher education resources and link those decisions to state spending, as well as to serve as a central administrator for certain grant and student financial aid programs. No significant benefits would justify consolidation with or transfer of the Coordinating Board's functions to another agency.

Recommendation

Change in Statute

6.1 Continue the Texas Higher Education Coordinating Board for 12 years.

This recommendation would continue the Coordinating Board as an independent agency responsible for coordinating the state's system of public higher education for 12 years.

Fiscal Implication Summary

Overall, these recommendations would not have a significant fiscal impact to the State. However, several issues recommend changes in funding, as summarized below.

Issue 3 — Requiring the Coordinating Board to designate a single high-level executive to oversee the agency's day-to-day management could be accommodated through restructuring the existing staff organization instead of hiring a new employee. The other recommendations regarding the agency's website, strategic planning, budgeting, performance measures, and time management should not require new resources.

Issue 4 — Removing all two-year institutions from participation in the B-On-Time loan program and transferring the General Revenue to the Texas Educational Opportunity Grant (TEOG) Program would not result in a net fiscal impact to the State. Approximately \$7.2 million would need to transfer from B-On-Time to TEOG. A small portion of these funds would remain in B-On-Time to fund participating students until they graduate or become ineligible for the program.

Issue 5 — Establishing a compliance monitoring function at the Coordinating Board for funds flowing to institutions of higher education and self-reported data would not have a net fiscal impact to the State. While the new monitoring function would require an increase of four full-time staff, the estimated \$310,910 in costs would come from the funds most at risk of misuse or inaccuracy — General Revenue appropriated for financial aid and institutional formula funding — prior to allocation to institutions.

¹ A detailed accounting of the changes recommended for this section of statute is located in Appendix E of the *Sunset Staff Report with Commission Decisions for the Texas Higher Education Coordinating Board*, June 2012.

² A full list of the 19 unfunded programs that the Sunset Commission has recommended eliminating is available on page 26 of the *Sunset Staff Report with Commission Decisions for the Texas Higher Education Coordinating Board*, June 2012.