



SUNSET ADVISORY COMMISSION

Texas Higher
Education
Coordinating Board



Staff Report
March 2002

TEXAS HIGHER EDUCATION COORDINATING BOARD

SUNSET STAFF REPORT

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SUMMARY



Summary

Sunset Staff Report

Texas Higher Education Coordinating Board

The Legislature created the Higher Education Coordinating Board (Coordinating Board) in 1965 to provide leadership and coordination for the Texas higher education system. The Sunset staff review of the Coordinating Board found the agency is generally fulfilling its mission of ensuring the effective use and concentration of the state's resources and the elimination of costly duplication in program offerings, faculties, and physical plants.

The Sunset staff review of the Coordinating Board found that the agency has been successful in coordinating some aspects of higher education in Texas. Due to the decentralized structure of higher education in Texas, state-level planning is necessary for policymakers to make appropriate decisions consistent with statewide goals and strategies to provide access, ensure quality, and promote efficiency. Without state-level planning, individual institutions would compete for resources and students to attain individual, rather than statewide success. Toward this end the Coordinating Board has established a new master plan for higher education in Texas - *Closing the Gaps by 2015*, which will allow the agency and institutions to focus on the challenges that are the most critical to overcome for the future social and economic health of the state. The agency has also undertaken significant efforts to streamline procedures so that the Board can pay greater attention to major policy issues and to reduce the time required for institutions to obtain approval for certain activities.

The State should equip the Coordinating Board to "close the gaps" in higher education.

The review also showed, however, that the Coordinating Board still faces several challenges to fully succeed in its mission of coordinating the state's higher education resources. Despite the agency's efforts, in practice the state still maintains an institution-driven approach to higher education, where individual schools and systems have the latitude to act in their own self-interest. Most institutions have defined their missions broadly with more of an eye to statewide service than meeting regional needs. Likewise, as institutions increasingly access funding outside the formula process that includes Coordinating Board review, the agency is limited in its ability to ensure funding for higher education provides the correct incentives to meet the goals of the state's higher education plan. The result is little mission

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differentiation between the institutions, overlapping degree programs, and no integrated system of higher education providing students with a continuum of educational options.

As an example of the lack of focus in the development of the Texas system of higher education, the State has a comparatively high number of institutions offering doctoral degree programs. While Texas compares favorably with the ten most-populous states in its number of institutions that offer many doctoral degrees over a variety of disciplines, Texas has three times as many institutions offering limited discipline doctoral degrees as the average of the remaining nine most-populous states. Instead, most states choose to focus their resources at the doctoral/research level in a few institutions rather than spreading the limited resources unnecessarily. Further, when comparing Texas' institutional performance to California, New York, Florida, and other large states, the State falls short in enrollment rates, degrees awarded, federal research funding, and nationally recognized programs.

The review found that the Coordinating Board must take additional steps to address these problems in higher education. While the Coordinating Board has made considerable progress in focusing the efforts of higher education on the key goals for success, the agency has yet to clearly articulate the action steps or propose the fundamental policy shifts necessary to meet the goals of the plan. The agency needs to better communicate to institutions the appropriate strategies to support the state's higher education plan and needs to improve its communication with the Legislature about the changes it can enact to speed the implementation of the plan. In addition, the Coordinating Board's limited role advising the Legislature on funding for higher education impairs its ability to strategically guide the funding of Texas' higher education institutions to match the goals of the plan. Finally, the Coordinating Board needs to restructure special-purpose financial aid programs to reduce administrative costs and increase student participation.

Issues / Recommendations

Issue 1 The Coordinating Board Should Continue to Assess Its Focus On the Most Effective Activities and Strategies to Achieve the Goals of *Closing the Gaps*.

Key Recommendations

- Require the Coordinating Board to articulate implementation strategies for the higher education plan, and report biennially to the Legislature on statutory changes that would allow the agency to better support the plan.
- Require the Coordinating Board to annually assess its current activities and how well they support *Closing the Gaps*.

- Require the Coordinating Board to conduct higher education impact statements for all significant legislation affecting higher education.

Issue 2 The Coordinating Board Is Not Well Positioned to Provide Strategic Input Regarding Higher Education Finance.

Key Recommendations

- Require the Coordinating Board to report biennially to the Legislature on changes to the higher education funding system that best support the higher education plan.
- Require the Coordinating Board to conduct a cost study for general academic and two-year lower-level institutions as part of the formula funding advisory process.
- Require the Coordinating Board to review all continuing and newly-proposed special items requests as a part of the appropriations process.
- Require that the Coordinating Board strategically review all tuition revenue bond projects submitted to the Legislature.

Issue 3 The Informal P-16 Council Is a More Effective Means of Interagency Coordination Than the Statutory Joint Advisory Committee.

Key Recommendations

- Establish the State P-16 Council in statute.
- Repeal the statutory requirement for the Joint Advisory Committee.

Issue 4 Certain Financial Aid Programs are Administratively Burdensome and do not Effectively Achieve Their Goals.

Key Recommendations

- Restructure the Teach for Texas Conditional Grant program and hybrid programs into loan repayment programs.
- Require the Coordinating Board to study all of the laws relating to student financial aid programs and report to the Legislature on needed changes.

Issue 5 The Hinson-Hazlewood College Student Loan Program Does Not Maximize the Use of State Resources.

Key Recommendations

- Require the Coordinating Board to distribute all Hinson-Hazlewood College Student Loan funds through the Texas Guaranteed Student Loan Corporation EFT system.
- Preclude the Coordinating Board from originating any new, independent FFELP loans through the Hinson-Hazlewood program.

Issue 6 The Current Size of the Higher Education Coordinating Board Does Not Comply with Recent Changes to the Constitution.

Key Recommendation

- Reduce the size of the Coordinating Board from 18 to 15 members.

Issue 7 Texas Has a Continuing Need for the Higher Education Coordinating Board.

Key Recommendation

- Continue the Higher Education Coordinating Board for 12 years.

Fiscal Implication Summary _____

This report contains several issues that would have a fiscal impact to the State. The chart below summarizes this impact.

- *Issue 2* – Requiring the Coordinating Board to recommend modifications to the higher education funding system, compile institutional cost data, and review all proposed and existing special items will require two additional FTEs. The estimated costs for these new positions are \$102,000 for the first year and \$96,000 for each subsequent year.
- *Issue 3* – Eliminating the Joint Advisory Committee would result in a total annual savings of \$1,600 in reduced costs for travel and per diem of eight Board members.
- *Issue 4* – Restructuring the Teach for Texas Conditional Grant program and hybrid programs into loan repayment programs will save \$1.25 million in FY 2004 and \$2.5 million in FY 2005 since the agency would not accept new grant applications and the State would begin to repay loans in FY 2006 for students who begin their service obligation in 2005. The projected savings is lower in FY 2004 because students who received the grant in 2003 would continue to receive it in 2004. If the Legislature chooses to maintain the current funding level for the program, at least two and a half times the number of current recipients could receive loan repayments as compared with those receiving grants under the current system. The restructuring would have an

administrative cost of approximately \$138,000 in the first two years due to conversion costs, but subsequent yearly savings of about \$47,000 would offset these costs.

- *Issue 5* – Allocating Hinson-Hazlewood funds through TGSLC’s electronic funds transfer process will slightly increase the cost of loan disbursements by a total \$55,200. Most of this cost would be offset by a savings of \$45,244 per year through the discontinuation of the issuance of paper checks.
- *Issue 6* – Reducing the Board would result in an annual reduction of approximately \$6,000 for Board member travel expenses.

Fiscal Year	Savings to the General Revenue Fund	Cost to the General Revenue Fund	Change in FTEs from FY 2001
2004	\$1,302,840	\$203,350	+2
2005	\$2,552,840	\$243,735	+2
2006	\$1,599,800	\$151,200	+2
2007	\$1,599,800	\$151,200	+2
2008	\$1,599,800	\$151,200	+2

ISSUES / RECOMMENDATIONS

Issue 1

The Coordinating Board Should Continue to Assess Its Focus On the Most Effective Activities and Strategies to Achieve the Goals of *Closing the Gaps*.

Summary

Key Recommendations

- Require the Coordinating Board to articulate implementation strategies for the higher education plan, and report biennially to the Legislature on statutory changes that would allow the agency to better support the plan.
- Require the Coordinating Board to annually assess its current activities and how well they support *Closing the Gaps*.
- Require The Coordinating Board to prepare higher education impact statements for all significant legislation affecting higher education.

Key Findings

- While the Coordinating Board has been effective in developing a strategic plan for higher education in Texas, the plan lacks key implementation details.
- Statutory constraints do not allow effective implementation of *Closing the Gaps*.
- The Coordinating Board does not have a formal mechanism to inform the Legislature about the needs of higher education.

Conclusion

Texas has an institution-driven and not a statewide approach to higher education. The result is little mission differentiation between the institutions, overlapping degree programs, and no integrated system providing students with a continuum of options. While the Coordinating Board has made considerable progress in focusing the efforts of higher education on the key goals for success, the agency has yet to clearly articulate the action steps or propose the fundamental policy shifts necessary to meet the goals of the plan. The Sunset review found that the agency needs to better communicate to institutions the most desirable strategies to support the State's higher education plan. The agency also needs to improve its communication with the Legislature about the changes it can enact to speed the implementation of the plan.

Support

The Legislature originally created the Coordinating Board to provide leadership and coordinate the system of higher education in Texas.

- The original statutory authority for the Coordinating Board

establishes the purpose of the agency to provide leadership and coordination for the Texas higher education system to achieve excellence for the college education of Texas students through the efficient and effective use and concentration of available resources, and the elimination of costly duplication in program offerings, faculties and physical plants. Given that independent boards of regents govern institutions of higher education, the State needs an entity that takes a statewide perspective on the higher education system, balancing institutional and local aspirations with statewide needs.

The Coordinating Board's Major Functions

- Establishes state higher education plans; and gathers, analyzes, and provides information and data on higher education.
- Reviews and recommends changes in formulas for allocation of state funds to public institutions.
- Coordinates degree programs at higher education institutions; and the construction of major facilities at public higher education institutions, except community colleges.
- Administers state and federal programs to expand access, raise quality, improve efficiency, and increase research in higher education.
- Administers the State's student financial aid programs.

Closing the Gaps

In 2000, the Coordinating Board established a master plan for higher education in Texas. Titled *Closing the Gaps by 2015*, higher education, business, and community leaders from throughout the state developed the plan. The plan outlines the goals of closing the gaps in higher education participation and success, in educational excellence, and in funded research over the next 15 years.

The plan's goals include adding 500,000 students to the higher education system, increasing the number of degrees issued by 50 percent, increasing the number of nationally recognized academic programs, and increasing the level of federal science and engineering research funding to Texas institutions by 50 percent.

- The Coordinating Board is responsible for developing a five-year master plan, updated annually, for higher education and must report to the Legislature in January of each year on the state of higher education in Texas. The statute also generally requires the Board to inform the Legislature on matters concerning higher education. In response to this requirement, the agency has developed *Closing the Gaps by 2015*.

- The Education Code requires the Coordinating Board to review, at least every four years, the role, mission, and degree programs of public universities to assure that they meet the needs of their service areas and the state. Institutional role and mission statements serve as a framework for the purpose and objectives of a given program within the institution. The Board also reviews requests for new departments, schools, and degree programs and can order the consolidation or elimination of programs where that action is in the best interest of the State.

While the Coordinating Board has been effective in developing a strategic plan for higher education in Texas, the plan lacks key implementation details.

- The Coordinating Board has yet to articulate the fundamental policy shifts necessary to meet the goals of the plan. Although the Board has begun policy discussions and has taken action on implementation strategies within its direct control, much of the work is being left to the institutions through the development of action plans filed with the agency. While this approach is initially appropriate to allow for the size and complexity of the state, institutions have limited visions and will only be able to address progress within the current structure of higher education in the state. Many institutions have indicated their difficulty developing plans to meet the goals of higher education within the current framework. In addition, no process exists to bring institutions in compliance with the plan if they propose actions that are not aggressive enough.
- Texas has an institution-driven and not a statewide approach to higher education. In developing the plan, the Coordinating Board missed a key opportunity to provide the first meaningful differentiation of institutional roles and missions. *Closing the Gaps* suggests that each institution should develop to its greatest potential within its mission, whether dedicated to meeting the needs of its region or, if appropriate, the entire state. Institutions should also coordinate their programs and services with other institutions to assure that statewide needs are met. Most universities should focus on strengthening their own unique missions and not strive to be research institutions. As a result of the plan, the Coordinating Board is now seeking to achieve mission differentiation through the ladders of excellence process.

Texas' approach to higher education is institution driven, and not statewide.

A review of these statements together however, shows the lack of a statewide system of higher education in Texas. Individually, the statements provide little detail on the uniqueness of each institution or how they fit into the overall needs of the state. The last systematic review of statewide degree programs occurred in 1980.

As an example of the lack of focus in the development of the Texas system of higher education, the Carnegie Foundation classifies institutions of higher education using two categories for doctoral/research universities — extensive and intensive. Extensive institutions typically award 50 or more doctoral degrees per year across at least 15 disciplines. Intensive institutions award at least ten doctoral degrees per year across three or more disciplines, or at least 20 doctoral degrees per year overall.¹ Texas has six extensive institutions, which compares favorably with eight in California and five in New York. The average of the ten most-populous states is about four.

In the second category however, Texas has six intensive institutions while the average of the remaining nine most-populous states is only 1.8. This suggests most states choose to focus their resources at the doctoral/research level in a few institutions rather than spreading the limited resources unnecessarily. In comparison to California, New York, Florida, and other large states, Texas falls short in higher education enrollment rates, degrees awarded, federal research funding, and nationally recognized programs.²

Funding formulas should represent the actual costs of academic programs.

- Without adequate mission differentiation, implementing effective statewide higher education policy becomes difficult. For example, funding formulas lose their usefulness as the agency applies them to larger groups of institutions with differing missions instead of narrowing by mission area. To be effective, the funding formulas need to represent the actual cost of academic programs — such costs are most comparable among institutions with similar missions. In addition, the funding formulas should provide the appropriate incentives for institutions to meet the goals of the higher education plan and these incentives will differ depending on the missions of the institutions. More information on the liabilities of the current funding system can be found in **Issue 2** of this report.

Similarly, the higher education plan seeks to establish ladders of excellence for different types of institutions. Ladders of excellence will provide recognition, resources and incentives for institutions as they take steps toward excellence in each institutional classification whether it is community colleges, undergraduate universities, universities with substantial numbers of master's and doctoral programs, health science centers, and research universities.³ This process will not be effective without clearly differentiated missions for Texas higher education institutions.

- The lack of implementation details at an early stage prevents the agency and institutions from determining the need for fundamental policy shifts or changes in current practices. The Coordinating Board did not initially quantify the fiscal and associated policy impacts of the recommendations in the higher education plan. Adding 500,000 students to higher education will significantly impact institutional resources such as faculty, programs, and facilities. As a result, some institutions have used cost concerns as an excuse for not aggressively proposing changes to meet the goals of the plan.

For example, with many of these new students entering through community colleges, the situation will test the funding system for those institutions, and the ability of community colleges to effectively transfer students to upper-level institutions. As a result, the Coordinating Board needs to assess the ability of local tax bases to accommodate increases in community college enrollment. However,

24 out of 50 community college districts currently have a taxable base less than the \$2.5 billion statutory minimum for the creation of a district, with the poorest district having a taxable base of about \$60 million.⁴

- With respect to transfer issues, the current transfer rate from community colleges to universities is only 15 percent.⁵ Historically the State has tried to manage improvement in this area by mandating transferability through the adoption of common fields of study for certain disciplines. While this approach has been somewhat effective, no funding incentive exists to facilitate the transfer of students from two-year to upper-level institutions. Instead, state funding for community colleges encourages those institutions to focus on technical and non-credit courses that do not transfer to a Bachelor's degree.

Similar significant implementation issues exist for other strategies in the plan including increasing the commitment of state resources to advanced research and technology grants; improving the state's ability to recruit, prepare, and retain additional well-qualified educators for elementary and secondary schools; and maintaining the affordability of higher education.

The current transfer rate from community colleges to universities is only 15 percent.

Statutory constraints do not allow effective implementation of *Closing the Gaps*.

- Now that the Coordinating Board has prioritized its focus through the development of *Closing the Gaps*, its activities necessary to implement the plan may be inconsistent with current statutory authority. In addition, some current statutory responsibilities may no longer be the best use of the agency's resources to support the plan.
- The statute currently requires a five-year plan strategic plan but the Coordinating Board has chosen to develop *Closing the Gaps* with a 15-year outlook. The Coordinating Board believes a longer-term outlook gives the users of the plan a better feel for the changing demographics of the state and provides a more reasonable timeframe for implementation and achievement of the goals in the plan. In addition, the agency may not need to formally update the plan every year. Ultimately, the Coordinating Board does not have the flexibility to develop and update the higher education plan as it deems appropriate.
- The statutory requirement for periodic reports on the state of higher education lacks appropriate focus and detail. The *Higher Education in Texas: 2000 Status Report* primarily presents data and information on fundamental long-term trends affecting the state of higher education in Texas.⁶ The report fails to give the Legislature a roadmap

for actions that would help the State achieve the goals in the higher education plan, nor does the report detail statutory changes needed to assist the Coordinating Board. In addition, the agency published the status report in March 2001 during the last legislative session – too late for the information to be useful to the Legislature.

- As the Legislature has given the Coordinating Board additional responsibilities, its mission has become diffuse and some tasks can cause the agency to become less strategic and more operational and regulatory in nature. These situations can limit the agency's ability to meet the objectives of the higher education plan. In addition, programs and responsibilities that are inconsistent with the agency's mission take resources away from key functions.
- The proliferation of institutional funding that no longer relates to the formulas has eroded the Coordinating Board's strategic statutory responsibilities associated with higher education funding. More information related to the Coordinating Board's role in reviewing higher education funding can be found in **Issue 2** of this report.

Responsibilities not consistent with the Coordinating Board's mission take resources away from key functions.

The Coordinating Board does not have a formal mechanism to inform the Legislature about the needs of higher education.

- The Legislature does not require the Coordinating Board to develop higher education impact statements. Senate rules only require impact statements on changes in the classification, mission, or governance structure of an institution. The rules partially addressed the State leadership's call in 1995 for all ideas for new programs, consolidation of campuses, or changes in governance to be presented to the Coordinating Board to ensure sound planning and careful analysis. This action followed a legislative session with several contentious battles over institutional governance.

As a matter of practice, the Coordinating Board does not formally review legislation other than institutional changes, even when the legislation may have a significant impact on higher education, and the ability of the state to achieve the goals of the higher education plan. For example, the last Sunset review of the Coordinating Board recommended restructuring loan forgiveness programs into loan repayment programs due to their high administrative costs. Since then, the Legislature has enacted additional loan forgiveness programs despite informally receiving the agency's opinion on how to better accomplish its goals through loan repayment programs. Consequently, the State has not used some of its financial aid in the most cost-effective manner resulting in unnecessary administrative and lost opportunity costs, as discussed in **Issue 4**.

- The Legislature will act on its own if it is unclear about the state's progress in certain areas. As an example, the Legislature passed a law in 1997 to increase participation in higher education that

guarantees admission to any Texas public higher education institution for recent high school graduates who rank in the top 10 percent of their high school class. Once initiated, the Coordinating Board's role was to provide data and analysis supporting the implementation details.

Recommendation

Change in Statute

1.1. Require the Coordinating Board to articulate implementation strategies for the higher education plan, and report biennially to the Legislature on statutory changes that would allow the agency to better support the plan.

This recommendation would require the Coordinating Board to develop and better communicate to institutions the most desirable implementation strategies to support the State's higher education plan. When clarifying the actions needed to support the plan, the Coordinating Board should focus on the key policy shifts required and detail the fiscal impacts of the proposed changes. In reporting to the Legislature, the agency would refocus its biennial status report on higher education in Texas to be a report on the State's progress toward meeting the goals of the higher education plan, and the statutory changes necessary to assist this effort. The recommendation would also require the agency to deliver the status report before the Legislature convenes its regular session.

1.2 Require the Coordinating Board to annually assess its current activities and how well they support *Closing the Gaps*.

This recommendation would require the agency to set up an internal process to continually monitor opportunities to streamline its policies and operating procedures. The agency could communicate any solutions that require statutory remedies to the Legislature in its biennial status report, as enhanced in Recommendation 1.1.

1.3 Require the Coordinating Board to prepare higher education impact statements for all significant legislation affecting higher education.

This recommendation would require the Coordinating Board to provide a higher education impact statement for key legislation affecting the state's system of higher education considered in the Senate Education Committee and the House Higher Education Committee. The statements would be prepared by the Commissioner of Higher Education, in consultation with the Board as appropriate. The agency's analysis should focus on providing options on how the legislation might more efficiently accomplish its goals and meet the overall goals of the state higher education plan. The agency would have the ability to make a recommendation for or against a proposal if warranted.

Impact

These recommendations will allow the Coordinating Board to take the next step in fully implementing the state's higher education plan by clearly articulating the actions necessary to make the plan a reality. The agency will also have improved opportunities to communicate with the Legislature about the changes it can enact to speed the implementation of the plan.

Fiscal Implication

These recommendations would have no direct fiscal impact to the State. The agency can accomplish the additional requirements related to planning and educational impact statements with existing resources.

¹ The Carnegie Foundation for the Advancement of Teaching, *The Carnegie Classification of Institutions of Higher Education, 2000 Edition*, Accessed: February 26, 2002.

² Texas Higher Education Coordinating Board, *Closing the Gaps, by 2015*, Texas Higher Education Plan (Austin, Texas, October 2000), p. 6.

³ Ibid., p. 15.

⁴ Texas Higher Education Coordinating Board, Governing Board Meeting, presentation by agency staff (Austin, Texas, January 24, 2002).

⁵ Texas Higher Education Coordinating Board, *Texas Public Community and Technical Colleges 2001 Statewide Factbook*, (Austin, Texas, 2001). Online. Available: Accessed: February 26, 2002.

⁶ Texas Higher Education Coordinating Board, *Higher Education in Texas: 2000 Status Report* (Austin, Texas, March 2001), p. 1.

Issue 2

The Coordinating Board Is Not Well Positioned to Provide Strategic Input Regarding Higher Education Finance.

Summary

Key Recommendations

- Require the Coordinating Board to report biennially to the Legislature on changes to the higher education funding system that best support the higher education plan.
- Require the Coordinating Board to conduct a cost study for general academic and two-year lower-level institutions as part of the formula funding advisory process.
- Require the Coordinating Board to review all continuing and newly-proposed special items requests as a part of the appropriations process.
- Require that the Coordinating Board strategically review all tuition revenue bond projects submitted to the Legislature.

Key Findings

- The financing system for higher education does not provide sufficient incentives to reach all the goals in the State's higher education plan.
- The Coordinating Board's general academic formula funding recommendations do not appropriately reflect empirical costs.
- The Coordinating Board does not provide input regarding proposed special items or review existing items for consistency with institutional strategies.
- The Coordinating Board does not provide strategic input regarding the allocation of tuition revenue bond projects among institutions.

Conclusion

The Coordinating Board's limited role advising the Legislature on funding for higher education impairs its ability to strategically guide the funding of Texas' higher education institutions. Although current statute requires the agency to establish a statewide higher education plan, the Coordinating Board is not positioned to help link the State's funding process with the priorities defined in the plan. The agency does make funding recommendations for formula funding and reviews tuition revenue bond proposals. The review showed, however, that funding in these areas reflects historical patterns rather than actual institutional needs. Finally, more than \$600 million in higher education special items funding falls outside the Coordinating Board's advisory role. These dollars are not effectively linked to the needs defined in the State's higher education plan.

Sunset staff identified strategies to better position the Coordinating Board to recommend allocations of the State’s higher education funds. Ultimately, aligning the State’s funding resources with its identified higher educational needs will increase opportunities for Texans to attend college, and be successfully educated to enter the workforce.

Support

Texas’ funds its higher education institutions through a variety of methods.

- The total biennial appropriation for Texas’ higher education is \$13.2 billion. This appropriation funds 35 general academic institutions, nine health-related institutions, 57 lower-level two-year colleges, and eight educational extension services. Appendix C, *Public Institutions of Higher Education*, lists each type of institution in Texas. The Legislature distributes funds to all educational institutions through formula and non-formula sources.

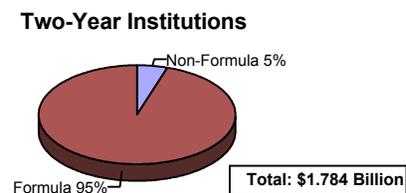
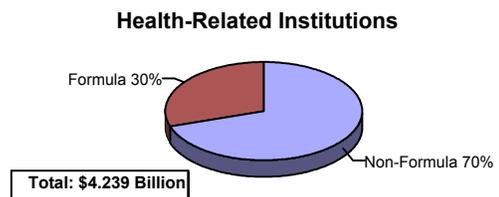
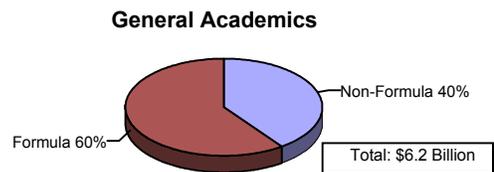
State funding for higher education is \$13.2 billion.

- Formula funding accounts for a significant portion of the State’s funding for Texas’ general academic, health-related, and two-year lower-level institutions. As depicted in the pie charts in the textbox,

Formula Funding Proportions for Texas Higher Education Institutions, during Fiscal Years 2002-2003,

the formulas will provide 60 percent of general academic funding, 30 percent of health-related institution funding, and more than 95 percent of two-year lower level institution funding. The Legislature uses the formulas as a tool to allocate available funds to state institutions based on the types of programs and degrees that they offer. The underlying

Formula Funding Proportions for Texas Higher Education Institutions FY 2002-2003*



**The figures in the charts do not reflect amounts for A&M Services or Coordinating Board trustee funds.*

intent of the State’s use of funding formulas is to distribute funding efficiently and equitably between institutions. The textbox, *Anatomy of Formula Funding*, explains how the formulas are used.

Anatomy of Formula Funding

Texas uses three sets of formulas to fund higher education. One formula applies to the 35 general academic institutions, another to the state's nine health-related institutions, and the third to the 57 two-year lower-level institutions. Each of these formulas consists of separate sub-formulas that allocate funding towards a particular purpose. The table below depicts each formula along with its relevant sub-formulas.

Formula Appropriations FY 2002 - 2003				
		General Academics	Health-Related	Two-Year Lower-Level
Sub-Formulas	Instruction and Operations	\$2.95 billion*	\$878 million	\$1.68 billion
	Infrastructure	\$646 million	\$317 million	\$25.8 million
	Research Enhancement		\$74 million	
	Hold Harmless	\$23 million	\$6 million	
Total		\$3.62 billion	\$1.28 billion	\$1.71 billion
* Includes teaching experience supplement.				

Texas uses three sets of formulas to fund higher education.

The *instruction and operations* sub-formula accounts for the majority of funds allocated to institutions. During Fiscal Years 2002-2003, instruction and operations funding accounted for 81 percent of the general academic formula, 68 percent of the health-related formula, and 98 percent of the two-year lower level institution formula. Instruction and operations formula provides funding for the teaching and administration expenses at all institutions.

Infrastructure formula funding applies to general academic, health-related institutions, Texas State Technical Colleges, and Lamar State Colleges only. This sub-formula funds institutions' utilities, plant support, and building maintenance.

The *research enhancement* sub-formula applies only to health-related institutions for the promotion of state financed medical research.

Hold harmless funding was provided by the 77th Legislature to any general academic or health-related institution that would have otherwise received less funding than it did in the previous biennium.

Source: Legislative Budget Board

Texas also funds higher education through a variety of non-formula sources.

- In addition to the funding formulas, Texas funds higher education institutions through a variety of other non-formula sources. The non-formula resources available to general academic institutions include funding for capital items, construction, research, and special items. Health-related institutions retain patient care revenue. The textbox, *Selected Non-Formula Resources*, lists each of these non-formula funding sources in greater detail. Institutions also have access to funds outside the state appropriations process including some tuition and fees, auxiliary operations, grants, and donations.

Selected Non-Formula Resources

General Academic Institutions

- Capital Equity and Excellence
- Available University Fund (AUF)
- Higher Education Fund (HEF)
- Excellence and University Research Fund
- Special Items
- Tuition Revenue Bonds

Health-Related Institutions

- Indirect Cost Recovery
- Patient Care Income
- Tobacco Settlement Funds
- Special Items
- Tuition Revenue Bonds

Two-Year Lower-Level Institutions

- Special Items
- Tuition Revenue Bonds (TSTCs and Lamar Colleges only)

The Coordinating Board is statutorily required to advise the Legislature on how formula funding resources should be allocated.

- Every two years the Coordinating Board reviews Texas’ higher education funding formulas to make recommendations regarding possible changes in the formulas. As part of the review process, the Higher Education Commissioner appoints three advisory committees including institutional representatives, faculty, and citizens to review the funding formulas for general academic institutions, health-related institutions, and two-year lower-level institutions.

The statute requires each committee to review each formula’s parts and to make recommended changes. As part of its review, the general academic committee examines the instruction and operations formula, the infrastructure support formula, and supplemental non-formula items such as grants, scholarships, and workers’ compensation insurance. The health-related institutions committee reviews the instruction and operations formula related to health-related institutions in addition to the infrastructure support formula, the research enhancement formula, and supplemental non-formula items.¹ The two-year lower-level institution formula advisory committee only reviews the instruction and operations formula for those institutions. Once the committees have reviewed the formulas, they are forwarded to the Higher Education Commissioner and then the Coordinating Board for review. After

the Coordinating Board approves the committees' formula recommendations, they are forwarded to the Legislature and the Governor's Budget Office.

- The Coordinating Board makes recommendations to the Legislature regarding the funding formulas only. The agency's statute does not require it to make recommendations regarding special items, tuition revenue bonds, the Available University Fund, the Higher Education Fund, the Excellence Fund, or the University Research Fund. The Legislature appropriates these funds separately during the appropriations process.

The financing system for higher education does not provide sufficient incentives to reach all the goals in the State's higher education plan.

- The Coordinating Board rates the current funding system for higher education poorly when assessing how well it supports *Closing the Gaps*.² In addition, the funding system does not provide sufficient incentives to encourage institutions to support the plan. With respect to participation, the formulas do not necessarily reward growing institutions because the formulas only serve to divide available revenue. Conversely, institutions typically continue to receive "hold harmless" funding when their enrollments decline. The system rates poorest on success because appropriations are not tied to graduation.

The current funding system also does not provide incentives to support key strategies that the Coordinating Board has identified to support the goals of the higher education plan such as better teacher preparation, increased production of math and science teachers, and improved transferability between the two-year and upper-level institutions.

- Institutional strategies in the appropriations bill do not match the goals of the state higher education plan. While some of the objectives and strategies listed are supportive of the plan, they are not explicitly linked to the plan's goals of participation, success, excellence and research. This approach precludes the State from better positioning its higher education funding resources to meet strategic goals. In addition, the system does not have a formal performance assessment process that evaluates how efficiently institutions spend funds they currently receive.
- Institutions' use of other non-formula funding resources eclipses the Coordinating Board's role in advising the Legislature on strategic approaches to higher education funding. Currently, the formula review process serves as the agency's best strategic influence on the funding system. The formula's importance, however, and

The Coordinating Board rates the current funding system for higher education poorly when assessing how well it supports Closing the Gaps.

Use of special items and revenue bonds for funding eclipses the Coordinating Board's strategic advisory rule.

its ability to align with strategic needs decreases as institutions seek funds from non-formula state resources, such as special items and tuition revenue bonds. As funding for special items and tuition revenue bonds continues to increase, the Coordinating Board's strategic statutory responsibilities related to higher education funding are eroded.

The Coordinating Board's general academic formula funding recommendations do not appropriately reflect empirical costs.

- The funding formula weights recommended by the Coordinating Board do not reflect the actual costs of the programs they are intended to fund. Ideally, the formula allocates funds to institutions

Formula Weights

The instruction and operations formulas used to fund general academic and health-related institutions account for the majority of formula funding. These formulas use weights that represent the costs associated with each discipline and its level. Examples of weights used for general academic institutions for Fiscal Years 2002-2003 are depicted in the table below.

Formula Weights				
	Lower Division	Upper Division	Masters	Doctoral
Liberal Arts	1.00	1.96	3.94	12.04
Teacher Ed	1.28	1.96	3.23	9.95
Engineering	3.01	3.46	8.20	21.40
Pharmacy	4.00	4.64	9.00	19.11
Nursing	4.91	5.32	6.49	16.32

These weights are multiplied by the number of semester credit hours, or classes, an institution delivers for each discipline level and by a fixed rate (\$56.65 for 2002-03) set by the Legislature to determine the amount of funding generated for each discipline level. For example, an institution with 500 lower division pharmacy credit hours would receive \$113,300 for instruction while a school with 1,000 masters-level engineering hours would receive \$464,530 for instruction. The Coordinating Board recommends the weights and the fixed rate to the Legislature.

Source: Texas Senate Bill 1, 77th Legislature (2001).

in a way that accurately covers their differing program costs. The formula uses weights, described in the *Formula Weights* textbox, to account for these costs. Although the weights are intended to reflect the costs associated with education, the Coordinating Board does not use contemporary cost data to justify the weights used. Rather, the Coordinating Board relies upon professional judgment in making its funding recommendations to the Legislature. According to sources interviewed during this review, the last time a cost study justified the formula weights for general academic institutions was during the 1960's. The costs of higher education have changed significantly since then. The variables affecting these changes include building maintenance; utility and equipment costs; faculty salaries; and, among other drivers, student demand. The funding formula weights recommended by the Coordinating Board do not adequately reflect the relative program costs.

During the review, several institutions claimed that their formula allocations over-funded some areas of instruction, while other areas received less than needed.³ Financial officers interviewed reported that lower-division courses were over-funded while upper-division and doctoral courses were underfunded. Since institutions have the flexibility to move funds between programs, this method of funding may not

adversely affect those institutions that have an optimal mix of graduate and undergraduate programs. Institutions with a smaller range of programs or with more graduate programs, however, are penalized under the current funding approach.

- The Coordinating Board's use of professional judgments for developing the funding formula weights makes the funding advisory process less transparent. Professional judgments are not reflective

of empirical data. Furthermore, these assessments do not provide precise explanations for the Coordinating Board's recommended changes to the formula. This subjective approach deters the implementation of a more strategic allocation procedure.

- Unlike its review procedure for general academic institutions, the Coordinating Board does take cost data from two-year lower-level institutions into account when making its recommendations for the community and technical college formula. Although not required by statute, institutions submit cost reports annually. More information about the two-year lower-level institutions cost studies can be found in the textbox, *Two-Year Lower-Level Institution Cost Studies*. Many two-year lower-level institution presidents interviewed during this review found the Coordinating Board's use of cost studies helpful, particularly as a comparative measure between institutions. In addition, many community and technical college presidents found the cost studies useful for identifying how well the formula funds their costs.

Two-Year Lower-Level Institution Cost Studies

The two-year lower-level institution cost studies measure how each of the state's 57 institutions expend all of their funds on institutional support, student services, staff benefits, and library costs per student contact hour. These studies also measure the cost per student contact hour for each instructional program. For example, according to fiscal year 2001 cost reports, computer science instruction costs \$4.94 per student contact hour at Austin Community College while agricultural classes cost \$1.53 per hour at Tyler Junior College.

Source: Texas Higher Education Coordinating Board

The Coordinating Board does not provide input regarding proposed special items or review existing items for consistency with institutional strategies.

- The Coordinating Board does not review proposed special items during the appropriations process. Unlike the formula funding process, which does include a Coordinating Board review each biennium, the special items funding process does not include the State's higher education planning agency in its usual advisory role. The lack of agency review precludes a more holistic approach to higher education financing in Texas.
- Many special items lack definition that makes them difficult to evaluate as to their effectiveness in supporting specific state or institutional strategies. The appropriations bill allocates some special items toward particular functions not suitable for formula funding, such as museums, research projects, and business development. Other special items, particularly those for "institutional enhancement," do not have a defined use, and institutions are not required to spend the funds on any particular targets. The Sunset review found no discernable link between institutional enhancement special items and institutional or state strategies. Nearly \$303,431,000 was appropriated for institutional enhancement for the 2002-2003 biennium.⁴ This accounts for 45 percent of the total appropriation for special items.

Special Items

Special items are funding allocations for projects specifically designated by the Legislature. These allocations are not subject to the funding formulas and are funded through GR. Examples of special items include:

- public service items;
- research projects;
- separate campus funding;
- accreditation program items; and
- one-time capital expenses.

Proposed special items are called exceptional items. The Legislature appropriated \$671,756,000 in special items for the 2002-2003 biennium.

Source: Legislative Budget Board

Many special items are routinely funded in subsequent state budgets without a third-party evaluation.

- Many special items are routinely funded in subsequent biennia without a third-party evaluation, such as a review by the Coordinating Board. As an example, one institution official noted that once an item has received funding for more than two biennia, it receives funding indefinitely.⁵ The *Texas Performance Review* echoed this conclusion in 1994 when it observed that “some special items appear to have acquired a permanent lock on funding.”⁶

These entrenched funding items may preclude funding for other programs that better fit an institution’s or the State’s strategic interests. In addition, the greater amount of money the Legislature dedicates to special items over time, the less latitude it will have for the strategic allocation of the State’s higher education resources. This process could lock the State into spending approximately \$671 million each year on perpetual special items: an amount equivalent to the biennial funding of 34 state regulatory agencies.⁷

The table, *Current Special Items Projects by Origination Date*, shows the number of fiscal years 2002-2003 special items projects by the decade in which they were started. While the bulk of projects began over the past twelve years, 58 projects started before 1990. These 58 projects accounted for \$79,933,000 of the special items appropriation for fiscal years 2002-2003.

Current Special Items Projects by Origination Date		
Decade	Number of Projects	FY '02-'03 Appropriation
2000-	136*	\$445,311,000
1990-1999	94	\$146,512,000
1980-1989	20	\$36,231,000
1970-1979	14	\$12,503,000
1960-1969	14	\$15,139,000
1950-1959	2	\$562,000
1940-1949	1	\$1,694,000
1930-1939	4	\$8,410,000
1920-1929	1	\$531,000
1910-1919	1	\$881,000
1900-1909	1	\$3,991,000
Total	288	\$671,756,000

*51 of the 136 projects starting in 2000 were “institutional enhancement” items.

Source: Texas Higher Education Coordinating Board

- In 1998, the Legislature conducted a study of special items to identify those that served a special purpose. The study did identify some special items that warranted continued appropriations, such as museums and unique research functions, and others that could be funded through the formula, such as masters-level education programs. During the next appropriations cycle the Legislature collapsed items that were not exceptional into a new special items category known as “institutional enhancement.” The funding levels to institutions for these special items remained the same.

The more money the Legislature dedicates to special items over time, the less latitude it will have for the strategic allocation of higher education resources.

The Coordinating Board does not provide strategic input regarding the allocation of tuition revenue bond projects among institutions.

- While the Coordinating Board conducted a review of institutional requests for tuition revenue bond authorizations for the 77th Legislature, it did not assess the strategic importance of each proposal. During the review, the agency ranked projects within institutions, not between them. Projects were not ranked according to which ones served the greatest need among institutions, and the report did not prioritize those projects that would have benefitted institutions with the most acute space needs.⁸ In addition, the report did not consider the other financial resources, such as the Available University Fund and the Higher Education Fund funds, available to institutions instead of tuition revenue bond funds. The agency did evaluate each project’s costs and space usage. In addition, the Board measured the extent of an institution’s need for a given project and what its track record was regarding previous capital projects.⁹ The Coordinating Board evaluated 189 applications for a total of \$3.1 billion.

Tuition Revenue Bonds	
Tuition revenue bonds are used by institutions to raise funds for capital projects. While tuition revenue repays these bonds, the legislature funds the debt service through appropriations. The chart below depicts the growth in the State’s use of tuition revenue bonds over the past decade.	
Year	TRB Authorizations
1993	\$60 million
1995	\$352 million
1997	\$638 million
1999	\$0
2001	\$1,008 million

- The absence of a strategic review by the Coordinating Board leads to the possible misallocation of state tuition revenue bond resources. According to the Coordinating Board’s 2005 space projections, the projected space need and short-term deficit is acute at some institutions while negligible at others. The 77th Legislature, however, issued each institution a tuition revenue bond project. For example, the textbox *Tuition Revenue Bond Allocations by Space Projections Ranking* lists the most and least needy three institutions according to the Coordinating Board’s space needs rankings.¹⁰ Despite the calculated differences in need, those institutions with the least need for a tuition revenue bond project received an allocation – sometimes larger than the ones given to schools with space shortages.

Last session, each institution received a revenue bond allocation, regardless of need.

Tuition Revenue Bond Allocations by Space Projection Ranking		
Institution	THECB Space Ranking*	TRB Allocation (millions)
Lamar Institute of Technology	1	\$5.3
University of Houston-Victoria	2	\$2.8
UT-Brownsville	3	\$26
TSTC-Harlingen	38	\$3.4
TWIC-Sweetwater	39	\$2.3
TSTC-Waco	40	\$3.4

*The institutions listed on the top have the greatest space needs while those on the bottom have surpluses.

Source: Texas Higher Education Coordinating Board; Texas House Bill 658, 77th Legislature (2001).

Recommendation

Change in Statute

2.1 Require the Coordinating Board to report biennially to the Legislature on changes to the higher education funding system that best support the higher education plan.

This recommendation would require the Coordinating Board to examine, beyond its current review of the funding formulas, the adequacy of the current higher education funding system in supporting the state's higher education plan. The Coordinating Board should focus on incentives that can be used within the funding system to encourage institutions to meet the goals of the plan. The review should also consider how well the funding system holds institutions accountable for the funding they are currently receiving. In reporting to the Legislature, the agency could coordinate its recommendations with those included in the biennial status report on higher education in Texas, as required by Issue 1.

2.2 Require the Coordinating Board to conduct a cost study for general academic and two-year lower-level institutions as part of the formula funding advisory process.

This recommendation would require the Coordinating Board to conduct a biennial cost study for all Texas two-year lower-level and general academic institutions. As part of this recommendation, each institution funded through the formula would submit the data requested by the Coordinating Board. The agency should rely heavily on existing financial program data maintained by each institution and minimize creation of new data by institutions. The agency would then be responsible for collecting and analyzing the data provided. The Coordinating Board should, by rule, define the types of data collected and the format.

The cost study conducted by the Coordinating Board should measure infrastructure, institutional support, student services, salary, benefit, library costs, and any other cost factors the Coordinating Board determines necessary. The study should also measure the costs of instruction for each type of academic program (e.g., humanities, economics, and architecture). The study should compare these costs between institutions according to their missions. The study should also measure the costs of Texas' higher education institutions with those for institutions in other states. Lastly, the study should identify those factors leading to the increasing costs of higher education. The study's results should be summarized no later than September of every odd-numbered year and submitted to the Coordinating Board's formula advisory committees for general academic and two-year lower-level institutions.

This recommendation would not require a cost study of the state's nine health-related institutions. Unlike general academic two-year institutions, health-related institutions are funded through a complex variety of revenue streams that have unique programs. The recommendation would require the Coordinating Board to assess whether health-related institutions should be subject to a separate cost study by January 1, 2007.

2.3 Require the Coordinating Board to review all continuing and newly-proposed special items requests as a part of the appropriations process.

This recommendation would require that the Coordinating Board review all continuing and newly-proposed special items requests contained in each institution's legislative appropriation request before the legislative session. The Coordinating Board would work with the Legislative Budget Board to coordinate its analysis with the review process for each institution's appropriation request. Each analysis must specify the nature of the item requested, an institution's need for such an item, how well the item reflects the institution's mission, and the extent to which the item reflects the state's higher education priorities. The analysis must also contain recommendations regarding funding action. Those recommendations favoring funding must specify the level of funding necessary to achieve the special item's purposes. All recommendations made in favor of funding must include suggested performance benchmarks. The recommendations made by the Coordinating Board would not be binding. As part of this recommendation, the Coordinating Board would work with the Legislative Budget Board to develop a set of guidelines for reviewing each proposed special item.

2.4 Require the Coordinating Board to strategically review all tuition revenue bond projects submitted to the Legislature.

This recommendation would require the Coordinating Board to review and rank all tuition revenue bond projects proposed to the Legislature. As part of its review, the Coordinating Board would examine a project's space efficiency and costs. The Board would also review a campus's need for a proposed project. This recommendation would require the Coordinating Board to rank each project with the priority given toward those that best serve institutional and statewide needs. The agency should coordinate this requirement with its previous tuition revenue bond review methodology developed for the 77th Legislature and ensure the agency delivers the information on a time frame useful to the Legislature. As part of this recommendation the Coordinating Board must establish, by rule, a set of guidelines for reviewing each proposed bond project.

Impact

These recommendations would provide greater transparency to the system of higher education finance in Texas. Requiring the Coordinating Board to make recommendations on changes to the higher education funding system would provide the information needed for the Legislature to modify the system to ensure it provides appropriate incentives to meet the objectives of the state higher education plan. Requiring the agency to conduct a biennial cost study for general academic and two-year lower-level institutions would better position the agency to recommend formula funding allocations that reflect the actual costs of education. This change would better inform the agency, the public, and the Legislature about the level of higher education that the State would pay for through the formula.

Requiring that the Coordinating Board review all proposed and existing special items requests would help the State better allocate funds toward projects that best serve institutional needs and state strategies. These reviews by the Coordinating Board would also better inform the Legislature of the potential strategic impact of the funding of special items.

Requiring that the Coordinating Board review all proposed tuition revenue bond projects would enhance the State's use of its tuition revenue bond resources. The Coordinating Board's analysis of

these proposals would help the Legislature identify those projects that would benefit institutions with the most pressing space needs.

Fiscal Implication

These recommendations would incur a cost to the State. Requiring the Coordinating Board to recommend modifications to the higher education funding system, compile institutional cost data, and review all proposed and existing special items has the potential of saving the state millions of dollars, while better ensuring the strategic use of state funds appropriated to higher education. These studies, however, would require additional staff for the agency. The cost study would also generate costs to the institutions for assembling the data, but the Coordinating Board's use of existing financial program data should minimize these costs. The staff resources for reviewing tuition revenue bond proposals already exist at the agency.

The cost study recommendation could be achieved through the use of existing staff and additional resources. The review of special items would also require new staff. Sunset staff estimate that the Coordinating Board would need two additional staff to complete the cost study and special items review recommendations. The estimated costs are \$102,000 for the first year and \$96,000 for each year thereafter. The additional \$6,000 for the first year include one-time costs for capital and computer equipment. The estimated costs for the additional personnel are listed below.

Fiscal Year	Cost to General Revenue	Change in FTEs
2004	\$102,000	+2
2005	\$96,000	+2
2006	\$96,000	+2
2007	\$96,000	+2
2008	\$96,000	+2

¹ The use of funding formulas for health-related institutions was established by the 76th Legislature in 1999. Before then, Texas' nine health-related institutions were funded through direct appropriations.

² Texas Higher Education Coordinating Board, "A Dozen Things Everyone Should Know About Texas Higher Education Finance," January 2002 (hand-out).

³ Staff interviews with higher education institution officials.

⁴ Texas Higher Education Coordinating Board, *Special Item Funding for Texas Public Institutions of Higher Education, Fiscal Years 2002 and 2003*, January 2002.

⁵ Staff interviews with higher education institution officials.

⁶ Texas Comptroller of Public Accounts, *Texas Performance Review*, 1994, page 186.

⁷ The 34 agencies include all of those in Article VIII of the Appropriation Bill less the appropriations for the Department of Insurance and the Executive Council of Physical Therapy and Occupational Therapy Examiners. Texas Senate Bill 1, 77th Legislature (2001).

⁸ The Coordinating Board was asked to rate and provide optional comments on the proposed projects. The agency was not required to rank them.

⁹ Texas Higher Education Coordinating Board, *Tuition Revenue Bond Authorization Application Evaluations*, November 20, 2000.

¹⁰ Texas Higher Education Coordinating Board, *Tuition Revenue Bond Authorization Application Evaluations*, November 30, 2000.

Issue 3

The Informal P-16 Council Is a More Effective Means of Interagency Coordination Than the Statutory Joint Advisory Committee.

Summary

Key Recommendations

- Establish the State P-16 (pre-kindergarten through college) Council in statute.
- Repeal the statutory requirement for the Joint Advisory Committee.

Key Findings

- Two parallel efforts currently exist to improve coordination among all state agencies with oversight responsibilities for education: the statutory Joint Advisory Committee at the policy body level, and the non-statutory P-16 Council at the staff level.
- Despite its effectiveness, the P-16 Council is not statutorily required, and thus has no guarantee of being continued.
- JAC has not been as effective in carrying out its statutory duties, and has become duplicative of efforts better achieved through the P-16 Council.
- Many other states have established statewide P-16 efforts.

Conclusion

The statutory Joint Advisory Committee (JAC) at the policy body level and the non-statutory P-16 Council at the staff level both exist to coordinate on the entire public education system. Although the P-16 Council has been more effective than JAC in achieving this purpose, the Council has no formal charge and statutory basis ensuring it to continue. The Sunset review examined both JAC and the P-16 Council accomplishments and concluded that JAC has become duplicative of efforts better achieved through the P-16 Council.

Support

Two parallel efforts currently exist to improve coordination among all state agencies with oversight responsibilities for education: the statutory Joint Advisory Committee at the policy body level, and the non-statutory P-16 Council at the staff level.

Two interagency committees coordinate pre-kindergarten through college education.

- A number of state agencies oversee various aspects of education. The textbox, *State Oversight of Education and Workforce Programs in Texas*, describes the role of each state agency regulating workforce and education in Texas. To ensure coordination of the entire public education system, the Legislature established, in statute, the Joint Advisory Committee (JAC) at the Board level. Later, the Texas Education Agency (TEA) and the Texas Higher Education Coordinating Board (THECB) informally created the State P-16 Council to facilitate coordination at the staff level.

State Oversight of Education and Workforce Programs in Texas	
Agency	Oversight
Texas Education Agency (TEA)	<ul style="list-style-type: none"> • Primary and secondary public schools • Adult education programs emphasizing academic literacy
Texas Higher Education Coordinating Board (THECB)	<ul style="list-style-type: none"> • Post-secondary education
Texas Workforce Commission (TWC)	<ul style="list-style-type: none"> • Non-degree granting proprietary schools • Workforce education training providers • Adult education programs focusing on vocational literacy
Texas Council on Workforce and Economic Competitiveness (TCWEC)	<ul style="list-style-type: none"> • Plans for and evaluates the Texas workforce development system composed of TWC, THECB, TEA, the Texas Department of Economic development (TDED), the Texas Department of Human Services (TDHS), and members of business, organized labor, and community-based organizations
State Board of Educator Certification (SBEC)	<ul style="list-style-type: none"> • Teacher preparation, certification, continuing education, and standards of conduct

- The Legislature created the Joint Advisory Committee in 1985 to coordinate plans, programs, and activities of agencies involved in early childhood through postgraduate public education. The chart, *JAC and P-16 Council Memberships*, highlights the composition of the Joint Advisory Committee. Among other duties, the committee is charged with coordinating curricula, research, college preparation and recruitment, testing and assessment, and teacher education.

The Joint Advisory Committee also provides advice on, and facilitates the transfer of federal Carl D. Perkins funds between the State Board of Education (SBoE) and the Coordinating Board. While SBoE receives Perkins grants from the Department of Education to fund career and vocational training programs in Texas, it only uses part of the grant to fund career and technology programs at the secondary level, and transfers the rest of the monies to THECB to fund similar programs at the post-secondary level.

- In 1998, TEA and the Coordinating Board established the State P-16 Council informally, based on a legislative input to achieve better coordination between the two agencies. The chart, *JAC and P-16 Council Memberships*, describes the composition of the P-16 Council. The Council undertakes many of JAC’s responsibilities at the staff level by working on cross-agency issues. The chart, *Cross-Agency Responsibilities*, highlights several issues discussed during P-16 Council meetings.

JAC and P-16 Council Memberships	
Joint Advisory Committee	P-16 Council
<p><i>Eight Statutory Members</i></p> <ul style="list-style-type: none"> • Three THECB members • Three SBoE members • One member designed by TCWEC • One member representing business designated by the Chair of the Texas Partnership for Economic Development 	<p><i>Three Core Members</i></p> <ul style="list-style-type: none"> • Commissioner of Education • Commissioner of Higher Education • Executive Director of SBEC
<p><i>Non-Statutory Participants</i></p> <ul style="list-style-type: none"> • SBEC Chair • One TWC Commissioner • One representative of the Governor’s Office 	<p><i>Regular Participants</i></p> <ul style="list-style-type: none"> • Legislative staff • Colleges and universities • Representatives of public education • Interest groups

Teacher recruitment and retention, for example, requires coordination among TEA, THECB, SBEC and TWC. Whereas TEA identifies teacher shortages, the Coordinating Board reviews and approves teacher preparation degree programs, and SBEC accredits alternative certification programs and ensures that teachers maintain quality through specific standards. Consequently, the State has directed the Coordinating Board to develop a strategic plan to increase the number of certified teachers in collaboration with TEA, SBEC, TWC, the Governor’s Office and the Legislature.¹ The P-16 Council has been serving as the forum through which Commissioners, staff, and interested parties discuss teacher recruitment and are developing a coordinated plan for the State.

Adult education, aimed at developing basic reading, writing, and arithmetic skills among Texas' adult population, also requires coordination among several state agencies. Currently placed under TEA's oversight, adult education affects TWC's efforts to place workers, and involves THECB because many community colleges are involved in adult basic education.

Despite its effectiveness, the P-16 Council is not statutorily required, and thus has no guarantee of being continued.

- The P-16 Council has proved to be an effective means of discussing interagency coordination. Through bi-monthly meetings, the Council has become a necessary forum through which agencies communicate on important topics. The chart, *Cross-Agency Responsibilities*, provides a sample of issues with overlapping responsibilities among state agencies that are discussed during P-16 Councils meetings.

Cross-Agency Responsibilities				
	TEA	THECB	SBEC	TWC
Teacher recruitment and retention	T	T	T	T
Career and technology education/training	T	T		T
Curriculum alignment	T	T		T
Adult education	T	T		T
Testing and assessment	T	T	T	
Student financial aid	T	T	T	

The P-16 Council is not required by statute and could be dissolved at any time.

- By coordinating on similar functions, P-16 Council entities can better identify overlap and avoid duplication of efforts. Before the legislative session in 2001, joint efforts on Legislative Appropriations Requests accomplished during P-16 Council meetings, resulted in total requests for special items from SBEC, TEA, and THECB being reduced by half from \$600,000 to about \$300,000.
- Despite the P-16 Council important coordination role, the Council is not required by statute and could be dissolved at any time. In addition, no formal charge currently exists to set the expectations of the Council.

JAC has not been as effective in carrying out its statutory duties, and has become duplicative of efforts better achieved through the P-16 Council.

- Coordination at the policymaking level, rather than at the staff level, has not proved to be as effective. The Joint Advisory Committee has had difficulty reaching a consensus on many issues, and has not fulfilled its obligation to hold regular annual meetings. For example,

from September 1999 to January 2002, more than two years elapsed without a meeting of the committee.

- TEA and the Coordinating Board created the P-16 Council to more regularly and effectively perform many of JAC's statutory responsibilities. Dialogue among staff, with occasional participation from Board members when warranted, has allowed for the improved coordination of a broad range of issues. As a result, the P-16 meetings have rendered JAC's efforts largely duplicative.

Many other states have established statewide P-16 efforts.

- Twenty two states, including Texas, have established a statewide P-16 effort, each represented by teams including leadership from post-secondary education, K-12, business and community-based organizations.² With the establishment of its own P-16 Council, Texas became part of the National Association of System Heads/ Education Trust network of statewide P-16 Councils through which Texas education leaders have been learning about education initiatives developed in other states.

*The Committee
duplicates efforts better
achieved at the staff level
through the P-16
Council.*

Recommendation

Change in Statute

3.1 Establish the State P-16 Council in statute.

This recommendation would formally create the State P-16 Council in the Education Code. The Council duties should encompass those of the current Joint Advisory Committee, including coordination on teacher recruitment and retention, adult education, and career and technology education. The Council would be composed of the Commissioner of Education, the Commissioner of Higher Education, and the Executive Director of SBEC. The Council would be chaired by the head of each of the three agencies on a rotational basis. As appropriate, based on the issues being discussed, council members would invite the voluntary participation of other state agencies including the Texas Workforce Commission, Board members, legislative staff, colleges, universities, public school representatives, or interest group representatives. The Council should meet at least quarterly. Staff would be required to communicate periodically with their respective boards on the activities of the P-16 Council.

3.2 Repeal the statutory requirement for the Joint Advisory Committee.

This recommendation would remove the requirement for the Joint Advisory Committee to exist. Board level coordination could be initiated on a voluntary basis. The State Board of Education and the Coordinating Board could develop an interagency agreement regarding the transfer of responsibilities and federal funds for career and vocational training in accordance with the Carl D. Perkins Act.

Impact

These recommendations would ensure that interagency coordination through the P-16 Council is continued in the future and that the Council will have clearly defined objectives. These changes would also cease to mandate meetings of the Joint Advisory Committee, whose efforts are largely duplicative of those of the P-16 Council, while still allowing Board member participation in the P-16 Council when appropriate.

Fiscal Implication

These recommendations would have a positive fiscal impact to the State. Eliminating the Joint Advisory Committee would result in savings of meeting costs for travel and per diem of eight Board members, estimated to be approximately \$200 per member annually.

Fiscal Year	Savings to the General Revenue Fund
2003	\$1,600
2004	\$1,600
2005	\$1,600
2006	\$1,600
2007	\$1,600

¹ THECB Rider 46, General Appropriations Act, 77th Legislature (2001).

² The Education Trust, State K-16s, available at: <http://www.edtrust.org/main/statek16.asp>

Issue 4

Certain Financial Aid Programs Are Administratively Burdensome and Do Not Effectively Achieve Their Goals.

Summary

Key Recommendations

- Restructure the Teach for Texas Conditional Grant program and hybrid programs into loan repayment programs.
- Require the Coordinating Board to study all of the laws relating to student financial aid programs and report to the Legislature on needed changes.

Key Findings

- Loan forgiveness programs create lost opportunity costs for the State and students, and unnecessary administrative costs for the Coordinating Board and universities.
- Rigid and burdensome requirements inhibit student and university participation in the Teach for Texas Conditional Grant program.
- Statutory eligibility and reporting requirements are unnecessarily complicated, cumbersome, and confusing.

Conclusion

The Coordinating Board administers many financial aid programs, with varying eligibility and reporting requirements. The Legislature has created these programs largely on a special-purpose basis to meet specific needs over time, and thus they do not mesh into an overall financial aid strategy. The results are barriers to students with financial need and unnecessary administrative costs. Some of these programs are service obligation loan forgiveness programs, which are costly and do not effectively meet their intended goals. Sunset staff examined the special-purpose financial aid programs and determined that programs could be streamlined to promote greater student participation in higher education. Restructuring the loan forgiveness programs as loan repayment programs would cut costs and increase participation. By giving the Legislature a detailed study of the current laws relating to student financial aid, grant, scholarship and tuition exemption programs, the Coordinating Board could provide the leadership needed to improve these programs.

Support

The Coordinating Board administers several service obligation programs designed to encourage participation in public service occupations suffering shortages.

- Service obligation programs provide financial incentives aimed at attracting qualified individuals to perform services targeted at special populations, such as physicians in rural areas or math and science teachers. These programs fall under three broad categories: loan repayment, loan forgiveness, and a hybrid of the two. These programs are described in the textbox, *Loan Forgiveness Programs Administered by the Coordinating Board*.
- *Loan repayment programs* offer repayment of student loans at the end of each year of service provided by the recipient, until expiration of the terms of the agreement. If a participant drops out of the program by no longer performing the required service, the participant must start repaying the loan to the lender. Because loan repayment programs are non-binding in nature, they give flexibility to the borrower in making life choices. The Coordinating Board currently administers six loan repayment programs, including the Classroom Teacher Loan Repayment program, which repays traditional student loans for teachers in shortage communities or subject areas.
- *Loan forgiveness programs* are special loans issued to participants who, at the time the loan is made, agree to provide a specific service for a determined and binding length of time in return for cancellation of the loan. The Coordinating Board currently administers six loan forgiveness programs. The Teach for Texas Conditional Grant program and Teach for Texas Alternative Certification Conditional Grant program, both of which seek to encourage teaching in shortage communities or subject areas, are the only loan forgiveness programs still active.
- *Hybrid service obligation loans* use both repayment and forgiveness features. The Early Childhood Childcare Provider Student Loan Repayment Program, Part III of the Physician Education Loan Repayment Program, and the Conditional Loan Repayment Program for Attorney Employed by the Office of the Attorney General, are the only remaining active hybrid programs, the latter being unfunded. Under all three, the State repays student loans before the individual has provided the promised service. The State must then track the individual to ensure that the service obligation is met.

Loan forgiveness programs provide money up-front for services not yet rendered.

Loan Forgiveness Programs Administered by the Coordinating Board					
Program Name	Purpose	Who Can Apply?	Restrictions	Award Limits	Awards for FY01
Loan Forgiveness Programs					
Teach for Texas Conditional Grant Program	To encourage students to teach in fields with a critical shortage of teachers, such as math and foreign language, or in communities experiencing a shortage of teachers.	Junior or senior students in university, or students enrolled three quarter time in a graduate educator certification program.	Five year teaching agreement. Recipients must start the service obligation within 18 months after program completion and complete the obligation within six years.	\$10,752, or four times the annual average of the TEXAS Grant. The State forgives 20 percent of the loan at the end of each year of service for up to five years. If a recipient drops out of the program, the person repays the loan at an interest rate of 7 percent.	435
Teach for Texas Alternative Certification Conditional Grant Program	To encourage degreed individuals to become teachers in shortage communities or subject areas.	Persons participating in an alternative educator certification preparation program, including private centers accredited by the State Board of Educator Certification for which no other student financial aid is available.	Same as that of the Teach for Texas Conditional Grant program.	Maximum amount is \$5,376, or twice the average annual amount of the TEXAS Grant.	First Award in Spring 2002
Hybrid Programs					
Early Childhood Childcare Provider Student Loan Repayment Program	To recruit degreed providers to serve in licensed childcare facilities for children under four.	Qualified childcare providers in a licensed childcare facility, providing child care education to children under four.	Must commit to serve as an early childhood childcare provider for two years.	Annual awards do not exceed the lesser of 15 percent of the outstanding principal and interest on all eligible loans, or the actual annual amount of loan payment	9
Physician Education Loan Repayment Program, Part III	To encourage specializing in family practice and practicing in rural counties or health professional shortage areas.	Second and third year residents in a health professional shortage area, rural county, or in an approved family practice residency training program; or faculty serving in a family practice training program.	Must agree to serve for one year per award.	Participation in the program is limited to two years with a minimum award of \$9,000.	35
Conditional Loan Repayment Program for Attorney Employed by the Office of the Attorney General	To recruit attorneys in the Office of the Attorney General.	Licensed attorneys who are employed by, or have been offered employment with the Office of the Attorney General of the State of Texas (OAG)	Must commit to practicing law with the OAG for three consecutive years.	This program is currently unfunded. Maximum annual awards are limited to \$6,000 and contingent upon the availability of funds.	Estimated to be 8, if it were to be funded.

The Coordinating Board also administers other student loan, grant and tuition exemption programs designed to increase access to higher education.

- In 1999, the Legislature created the TEXAS Grant program. This financial aid program is a hybrid design, compared to traditional programs, because it balances eligibility between the dual requirements of need and merit.¹ The program provides a grant of money to enable well-prepared eligible students to attend public and private nonprofit colleges and universities in Texas. To be eligible, students must have completed the recommended high school curriculum or better. In addition to the merit-based requirement, the TEXAS Grant has other prescriptive eligibility requirements related to drug convictions and satisfactory academic progress. The statutory language for these eligibility requirements is similar to, but does not coincide with federal language for financial aid.
- Currently the State has twenty-four separate tuition exemption programs. These programs have been created over time to benefit certain segments of society by waiving either tuition or fees, or both tuition and fees at public institutions of higher education for qualifying students. For example, the Hazlewood Exemption provides tuition and fee exemptions to Texas veterans and their dependents if the veteran was killed while in service. In fiscal year 2001, 7,611 students participated in the Hazlewood Exemption program, which cost institutions approximately \$7.5 million.² The State does not reimburse the cost of these programs, so the institutions bear the fiscal impact of the exemptions.

Loan forgiveness programs create lost opportunity costs for the State and students.

Loan forgiveness programs create lost opportunity costs for the State and students, and unnecessary administrative costs for the Coordinating Board and universities.

- Loan forgiveness programs cost the State each year in lost interests, or lost opportunity for funding other programs, by giving students an up front outlay of funds before services are rendered. The Teach for Texas Conditional Grant program, for example, loans money up to four and a half years before service begins. The Coordinating Board's hybrid service obligation programs also contribute to lost opportunity costs by repaying traditional student loans generally one year before the borrowers begins to fulfil their service obligation. Such initial outlays of funds are a costly and inefficient use of the State's financial aid resources.
- The Teach for Texas Conditional Grant program, and to a lesser extent the Coordinating Board's hybrid service obligation programs, also accrue lost opportunity costs for potential recipients. By providing funds up front for services not yet rendered, every recipient who drops out of these programs has received money that could have been used to fund new applicants. Since this money may take

years to recover, the State loses the opportunity to serve new participants.

In addition, by providing a large grant up front rather than repaying a smaller amount each year to recipients, fewer students can participate in loan forgiveness programs than in loan repayment programs given the same amount of funding. Based on the estimated savings, more than twice the current number of recipients could be funded each year if the Teach for Texas Conditional Grant program were a loan repayment program.³

- Loan forgiveness programs are administratively burdensome for the Coordinating Board and universities. These programs have high initial set up costs to the Coordinating Board, based mainly on the complexity of computer programming required to track recipients.⁴ Additionally, ongoing administrative costs include the calculating of obligation balances, and the tracking and maintenance of programming to follow the participants' progress during enrollment in school, grace period following graduation and employment.

Servicing the loan if a recipient fails to meet the full term of the obligation is also costly to the Coordinating Board because it must recover the grant money. These costs relate to the calculation of the obligation balances, design and maintenance of repayment schedules, and referral to the Office of the Attorney General for recovery litigation if necessary.

Costs to the universities include time and resources used for the annual reviewing and ranking of Teach for Texas applications in order of priority for funding, the reporting of each recipient's progress until graduation, and the disbursement of the loan.

Rigid and burdensome requirements inhibit student and institutional participation in the Teach for Texas Conditional Grant program.

- Student participation in the Teach for Texas Conditional Grant program is low. In FY 2001, 437 students were awarded grants. That year, eleven out of 69, or 16 percent of universities with traditional education programs, did not receive any awards since none of their students applied. Two universities stopped offering the grant as a financial aid alternative because of low student interest in the program. As a result, the Coordinating Board allocated only \$5 million to this program for the current biennium, out of the \$15 million it received for both Teach for Texas programs.

Even among universities that did receive an award for fiscal year 2000/2001, student participation in many schools was low. In fiscal year 2001, half of the 58 universities receiving an award had four or less awards, with eleven universities receiving only one award.

Rigid program requirements have resulted in low student participation.

Statutory constraints limit the Coordinating Board's ability to streamline many financial aid programs.

- Several institutions attribute low participation in the Teach for Texas Conditional Grant program to the strict five-year teaching requirement.⁵ Many students are leery of such a long-term commitment, because of uncertainty about their professional choices following graduation. A recent study suggests that about 28 percent of teachers quit their jobs during the first four years of employment.⁶ Also, in the event a recipient drops out of the program, the loan must be repaid at a 7 percent interest rate, which is higher than the most common student loans.⁷
- The timing of the application process for new applicants has also been a barrier to many students. The availability of funds for new Teach for Texas applicants is unknown until mid-semester when the Coordinating Board receives information on available funds. This timing is too late for students who package their financial aid early in the school year, and choose traditional student loans that they can secure immediately. A loan repayment program would not have this barrier.

Statutory eligibility and reporting requirements for many of the financial aid programs are unnecessarily complicated, cumbersome, and confusing.

- Statutory constraints limit the Coordinating Board's ability to streamline the rules governing eligibility and reporting requirements related to the various financial aid programs it administers. Multiple requirements make it difficult for school financial aid officers to understand the intricacies of each program and explain them to students, creating a barrier to their use.
- All federal aid programs, such as the Pell Grant, which is the most widely used federal aid program, already have eligibility requirements that are widely used and accepted by all institutions in Texas and in other states. In addition, each institution already has its own federally approved requirements for satisfactory academic progress (SAP). Based on interviews with numerous financial aid officers at schools and at the Coordinating Board, separate state standards increase administrative costs and cause some students to lose eligibility, despite meeting their institutions' SAP.
- To qualify for any of the 24 tuition exemption programs, students must document qualifications for the different eligibility requirements. The Coordinating Board staff is required to explain these complicated eligibility and reporting requirements to students and institutions, and to mediate certain disputes between students and institutions that may arise.
- The State's exemption programs vary in their applicability. Some exempt only fees, others exempt only tuition, and the majority

exempt both fees and tuition. These inconsistencies are difficult to administer.

Recommendation

Change in Statute

4.1 Restructure the Teach for Texas Conditional Grant program and hybrid programs into loan repayment programs.

This recommendation would restructure the programs as follows.

- **Teach for Texas Conditional Grant Program**

This recommendation would change the Teach for Texas Conditional Grant program into a loan repayment program. The program would provide repayment of traditional student loans for participants who teach in communities or subjects with an acute shortage of teachers. The Coordinating Board would set the structure of repayments by rule. For example, the program could provide a uniform repayment at the end of each year of service for up to five years; or 15 percent at the end of the first and second year of service, 20 percent after the third and fourth years, and 30 percent at the end of the fifth year of service; or could be based on a flat maximum annual loan repayment that increases with each year of service. This recommendation does not apply to students currently funded by the Teach for Texas Conditional Grant program and would only affect new applicants graduating in fiscal year 2004, the potential implementation year of this recommendation. The Classroom Teacher Loan Repayment program, currently unfunded, would be discontinued.

- **Early Childhood Childcare Provider Student Loan Repayment Program, Part III of the Physician Education Loan Repayment Program, and the Conditional Loan Repayment Program for Attorney Employed by the Office of the Attorney General.**

This recommendation would restructure the Coordinating Board's hybrid service obligation loan programs into repayment programs. The Coordinating Board would repay student loans at the end of each year of service that meets program requirements.

4.2 Require the Coordinating Board to conduct a study of the laws relating to student financial aid programs and report to the Legislature on needed changes.

This study should evaluate improvements that the Legislature could make to existing programs to maximize the benefits of the programs to the State by reducing administrative burdens and increasing student access. The report should include recommendations for legislative action necessary to consolidate, expand, or otherwise modify existing programs. The Coordinating Board should seek input from financial aid officers and student groups at institutions of higher education across the state when conducting the evaluation. The Board should present this report to the legislative committees with jurisdiction over education in November 2004.

Impact

Restructuring the Teach for Texas Conditional Grant program would benefit future teachers in several ways. First, given the same amount of funding, a Teach for Texas loan repayment program would allow more recipients to participate than in the programs current form. In addition, restructuring the program would reduce existing barriers to participation. By becoming more attractive to teachers and enabling a higher number of recipients to participate in the program, the new Teach for Texas program would benefit the State through an increase in the number of teachers in shortage areas. These recommendations would also streamline the Coordinating Board's financial aid activities and free its time and resources for other important functions. Universities would accrue similar benefits by eliminating their need to administer the Teach for Texas Conditional Grant program, and the requirement to report on student recipients' progress.

The Teach for Texas Alternative Certification Conditional Grant program would remain the only active loan forgiveness program administered by the Coordinating Board. Because students in alternative certification programs do not qualify under federal guidelines for student loans, a loan repayment program would not be feasible for them.

Reporting to the Legislature on the State's financial aid programs would provide the Legislature with the necessary information to make needed changes to these programs. These changes should make the State's financial aid programs more accessible to students and thus increase participation and success in higher education.

Fiscal Implication

These recommendations would have a positive fiscal impact to the State. The following estimate is based on the Coordinating Board's allocation of \$2.5 million to the Teach for Texas Conditional Grant program in fiscal year 2002 to fund an estimated 465 recipients. The estimate assumes zero growth in the number of awards, and an annual average Teach for Texas Conditional Grant of \$5,000 per student compared to a yearly average of \$2,000 per award over five years for a loan repayment program. Fiscal year 2004 would have half the projected savings because students who received the grant in fiscal year 2003 would continue to receive it in fiscal year 2004, and no new grant applications would be accepted. The State would begin to repay loans in fiscal year 2006 for students who begin their service obligation in 2005. Loan repayment is spread over five years. If the Legislature chooses to maintain the current funding level for the program, at least two and a half times the number of current recipients could receive loan repayments as compared to those receiving grants under the current system.

Administrative costs in fiscal year 2004 would result from a reduction by half in the number of accounts serviced. No renewal or first year grants would be made in fiscal year 2005. Administrative costs for fiscal year 2006 and fiscal year 2007 reflect the expenses of converting the Teach for Texas Conditional Grant program into a loan repayment program. Subsequent yearly savings would result from the lower administrative costs of loan repayment programs compared to loan forgiveness programs.

Fiscal Year	Savings to the General Revenue Fund	Administrative Savings to the General Revenue Fund
2004	\$1,250,000	\$46,168
2005	\$2,500,000	\$92,535
2006	\$1,500,000	(\$46,965)
2007	\$1,500,000	(\$46,965)
2008	\$1,500,000	\$52,080

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- ¹ The Legislative Oversight Committee on the TEXAS and Teach for Texas Grant Programs, Committee Report for the 76th Legislature, November 2000.
- ² The Texas Higher Education Coordinating Board, *FY 2001 Fiscal Activities Report*.
- ³ As of February 01, 2002, the average annual Teach for Texas Conditional Grant per student in FY02 was \$5,410. This would compare to an approximate annual average of \$2000 per award over five years if Teach for Texas were restructured into a loan repayment program. This estimate considers an average debt of about \$10,000 per students. Based on the Coordinating Board's \$2.5 million funding for the Teach for Texas Conditional Grant in FY02, 465 recipients would be able to participate in the loan forgiveness program compared to 1,250 recipients for a loan repayment program.
- ⁴ On average, a loan forgiveness program costs \$2,170 per account annually for the first two years of the program, compared with \$300 per account annually for a loan repayment program. These figures include salaries, fringe benefits and computer programming. By contrast, once the systems are in place, the cost of a loan forgiveness program declines to approximately \$199 per account annually, and \$87 per account for a loan repayment program.
- ⁵ Interviews, between January 17, 2002 and February 7, 2002, with eight of the 11 institutions that did not receive a Teach for Texas grant award in FY01. Out of these eight institutions, six noted that the five year teaching requirement was the primary reason why students did not want to commit to the program.
- ⁶ State Board for Educator Certification, Ron Kettler, "Attrition of Teachers," e-mail to Sunset Advisory Commission, February 13, 2002. The State Board for Educator Certification tracked new teachers from 1994 through 1997. The breakdown in attrition for teachers who graduated from a traditional education program is as follow: 1st year: 8.69%, 2nd year: 6.97%, 3rd year: 6.41%, 4th year: 5.92%, or 27.99% total over a four year span. Retention of teachers who graduated from an alternative certification program was somewhat better with a total attrition of 26.27% over four years and a break down of: 1st year: 8.62%, 2nd year: 7.58%, 3rd year: 5.37%, 4th year: 4.77%
- ⁷ As of February 23, 2002, Stafford loans, which are federally guaranteed and are the most common student loans, offer interest rates of 5.99 percent.

Issue 5

The Hinson-Hazlewood College Student Loan Program Does Not Maximize the Use of State Resources.

Summary

Key Recommendations

- Require the Coordinating Board to distribute all Hinson-Hazlewood College Student Loan funds through the Texas Guaranteed Student Loan Corporation's EFT system.
- Preclude the Coordinating Board from originating any new, independent FFELP loans through the Hinson-Hazlewood program.

Key Findings

- The Coordinating Board's funds disbursement process for Hinson-Hazlewood loans discourages state higher education institutions' use of a state resource in favor of private lenders.
- The Hinson-Hazlewood FFELP portfolio is an inefficient use of state resources.
- The Coordinating Board does not strategically allocate Hinson-Hazlewood loan funds to reflect the State's higher education priorities.

Conclusion

The Hinson-Hazlewood program is very similar to the private student loan market. Scores of lenders offer FFELP loans, and many more are aggressively entering the alternative loan market. This situation is aggravated by the fact that institutions prefer lenders using TGSLC's electronic funds transfer system over the Hinson-Hazlewood program. While these factors could justify the program's discontinuation, Texas students could be better served if Hinson-Hazlewood funds were strategically allocated and the program's administration made contemporary with the private sector.

Sunset staff concluded that the Hinson-Hazlewood College Student Loan Program could better serve Texas students if loan disbursements were issued through TGSLC's electronic funds transfer system. This review also found that re-prioritizing the Hinson-Hazlewood's FFELP portfolio and targeting loan funds towards needier students would better align the program with the State's interests.

Support

The Hinson-Hazlewood College Student Loan Program administered by the Coordinating Board provides low interest loans to Texas students.

Between 1966 and 2000, the Hinson-Hazlewood program made loans to 273,686 students totaling \$1.3 billion.

- The Hinson-Hazlewood program is the largest student financial aid program sponsored and administered by the State of Texas. Originally started in 1966, the Coordinating Board-administered program provides \$75 million in alternative loans to Texas students each biennium. A brief description of what alternative loans are can be found in the textbox, *Alternative Loans*. Between August 1966 to August 2000 the Hinson-Hazlewood program made loans to 273,686 students totaling \$1.3 billion.¹
- The Coordinating Board issues general obligation bonds to fund the loans, allocates loan funds to higher education institutions, and services the loans that are issued. Three significant loan portfolios are maintained within the Hinson-Hazlewood program.² These portfolios include the College Access Loan Program (CAL), the Federal Family Education Loan Program (FFELP), and the Health Education Loan Program (HELP). The textbox, *CAL, FFELP, and HELP*, provides more information about these portfolios. These loans, unlike loans made by private lenders, are of better value to students because they do not include compounded interest.

Alternative Loans

Alternative loans are used to bridge the gap between awarded financial aid (i.e. other loans, scholarships, grants, and work-study) and the actual cost of education. The use of these loans have grown as the costs of higher education have increased. Students and families typically use alternative loans when other loan sources fail to cover education costs or when another source of financing is needed.

CAL, FFELP, and HELP

College Access Loan (CAL): CAL is the largest loan portfolio in the Hinson-Hazlewood program. Authorized by the legislature in 1987, CAL provides alternative loans to eligible undergraduate, graduate, and professional students. In FY 2001 13,362 CAL loans totaled \$58,883,264.

Federal Family Education Loans (FFELP): FFELP, also known as the Stafford Loan Program, provides Federally guaranteed loans to Texas students. The Coordinating Board made 2,092 FFELP loans in FY 2001, totaling \$6,829,542.

Health Education Loan Program (HELP): Authorized by the Legislature in 1988, the HELP program targets students of medicine, public health, dentistry, pharmacy, and veterinary science. The HELP portfolio provided 1,946 loans for \$11,898,003 in FY 2001.

- When the Hinson-Hazlewood program began, it was the only alternative student loan program in Texas. As such, it enjoyed a high level of popularity from its inception into the 1990's. Starting in the late 1990's, however, private lenders began offering alternative loan products of their own. Now, the alternative loan market in Texas and nationwide is aggressively growing as prominent lenders are increasing their participation in the market.

The alternative loan market in Texas is aggressively growing.

The Coordinating Board's funds disbursement process for Hinson-Hazlewood loans discourages state institutions' use of a state resource in favor of private lenders.

- The process for disbursing Hinson-Hazlewood funds to students and financial aid offices is slow and paper-driven. Currently, loan funds are disbursed by paper check or electronic funds transfer (EFT) through the Comptroller's Office. A significant amount of funds transfers are in the form of paper checks. According to the Coordinating Board, 69 percent of FFELP, 44 percent of CAL, and 33 percent of HELP loans are issued in paper check disbursements.³

Financial aid officers interviewed indicated that the use of paper checks for loan disbursements is slow when compared to EFT processes currently in widespread use. This lag affects students most, many of whom are required to wait longer than usual periods of time to receive their loan funds. This wait also jeopardizes students' registration. If financial assistance is not provided to a student in time, then an institution will drop the student's enrollment, which means that students must re-register for their classes.

- Most Texas higher education institutions have automated systems established to accommodate electronic funds transfers from the Texas Guaranteed Student Loan Corporation (TGS LC). More information about TGS LC and its electronic funds transfer process can be found in the textbox, *TGS LC and EFT*. Institutions have noted that by using TGS LC as a central disbursing agent, they are better able to provide their students with loan funds in a timely and efficient manner. Centralizing loan transfers through TGS LC's EFT process decreases schools' processing costs and allows for easier tracking of funds and enhanced auditability.

Financial aid offices with systems designed to accommodate funds transfers from TGS LC cannot easily process the Coordinating Board's Hinson-Hazlewood funds that are distributed through the Comptroller's Office. This applies to funds disbursed through the Comptroller's own EFT system and in the form of paper checks. Consequently, institutions receiving Hinson-Hazlewood funds must maintain separate

TGS LC and EFT

Created by the Legislature in 1979, the Texas Guaranteed Student Loan Corporation is a public, nonprofit Corporation that administers the Federal Family Education Loan Program in Texas on behalf of the Federal government. As program administrator, TGS LC guarantees repayment of student loans to private lenders in the event a borrower dies, becomes permanently and totally disabled, has a loan discharged in bankruptcy, or defaults. Most FFELP funds guaranteed by TGS LC are disbursed to institutions through TGS LC's electronic funds transfer system. This system electronically debits and credits lenders' and institutions' accounts to facilitate the loan's transfer.

Some financial aid officers expressed a preference for private loans rather than Hinson-Hazlewood funds.

processing systems to accommodate them, which results in extra labor and operating costs.

- Some financial aid officers interviewed during the review expressed a preference for private loans rather than using Hinson-Hazlewood funds, because of the program's cumbersome disbursement process. In fact, a few institutions have even decreased their level of participation in the program to avoid the added overhead of processing Hinson-Hazlewood loans.
- As more private lenders enter the alternative loan market and use TGSLC as a central disbursing agent, the Hinson-Hazlewood program risks losing market share, since the program will be less attractive to financial aid officers. This could create a loss in economy of scale as unit costs per loan increase with declining loan volume. Such a loss could increase the administrative cost of each loan.

The Hinson-Hazlewood FFELP portfolio is an inefficient use of state resources.

Maintaining a FFELP portfolio is duplicative with the private loan market.

- The Coordinating Board's portion of the state's FFELP use is negligible. In FY 2001, the Coordinating Board made \$6 million in FFELP loans through the Hinson-Hazlewood program.⁴ This figure accounted for less than one half of one percent of the annual total of \$1.7 billion in FFELP loans by private lenders. Most financial aid offices recommend that students use one of the 112 private FFELP lenders other than the Coordinating Board. For example, the preferred lenders lists for the University of Texas, the University of Houston, and Texas A&M, list private banks and credit unions as FFELP lenders of choice.⁵ Given the abundance of FFELP funds available through the private loan market, maintaining a FFELP portfolio in the Hinson-Hazlewood program is duplicative.
- Dedicating Hinson-Hazlewood funds towards FFELP use precludes their use in other areas. Every Hinson-Hazlewood dollar allocated to the FFELP portfolio is one dollar less available to use in other portfolios not replicated by the private loan market. Those funds currently directed towards FFELP could better serve the State's interest if they were used in other portfolios such as CAL or HELP.

The Coordinating Board does not strategically allocate Hinson-Hazlewood loan funds to reflect the State's higher education priorities.

- With the exception of the HELP portfolio, the Coordinating Board does not ensure the loan portfolios administered through the Hinson-Hazlewood program serve the most strategic objectives of the State. For example, the CAL portfolio, the largest portfolio in the Hinson-Hazlewood program, provides loans to any eligible Texas student. CAL loans are not targeted towards students enrolled

in programs with high debt-burdens, nor are they obligated towards strategic needs as defined by the Legislature or the Coordinating Board. The Board does not ensure that limited State resources are targeted towards gaps not covered by Federal and private resources.

- The Coordinating Board allocates Hinson-Hazlewood funds to students and institutions on a first come, first serve basis. Funds are not allocated on the basis of institutional or regional need, and are not disbursed in a manner reflective of the higher education plan. As a result, the State's funds are not necessarily used to increase participation in higher education in ways that both support the higher education plan and serve the State's higher education needs.

The Board does not ensure that limited State resources are targeted towards gaps not covered by federal and private resources.

Recommendation

Change in Statute

5.1 Require the Coordinating Board to distribute all Hinson-Hazlewood College Student Loan funds through the Texas Guaranteed Student Loan Corporation's EFT system.

This recommendation would require the Coordinating Board to allocate Hinson-Hazlewood funds through TGSLC's electronic funds transfer system. As part of this recommendation, the Coordinating Board would establish an account at the Comptroller's Office that provides TGSLC direct debit access. TGSLC would then disburse funds from that account to institutions through its EFT process. The amount of funds disbursed to each institution would still be determined by the Coordinating Board's allocation process.

5.2 Preclude the Coordinating Board from originating any new, independent FFELP loans through the Hinson-Hazlewood program.

This recommendation would prohibit the Coordinating Board from issuing new FFELP loans, except to students already participating in the Hinson-Hazlewood program. The Coordinating Board could, for example, continue to issue new FFELP loans to students who are also receiving CAL or HELP loans. This recommendation does not affect outstanding FFELP loans; the loans will still be serviced by the Coordinating Board.

Management Action

5.3 The Coordinating Board should, where possible, allocate Hinson-Hazlewood funds in a manner more reflective of higher education priorities.

This recommendation would require the Coordinating Board to consider targeting Hinson-Hazlewood funds towards students in a more strategic manner. For example, the agency could develop a marketing program oriented towards students in programs that incur large debt-burdens. Examples of such programs include medical school, pharmacy school, law school, and nursing school. Such a

campaign could also be directed towards students participating in programs identified as being of strategic importance to the state by the Legislature and the Coordinating Board. Examples of these programs include nursing and teaching degrees for rural teachers. Consideration should also be given to achieving the goals of the State's higher education plan. As part of this recommendation, the Coordinating Board should routinely solicit institutional input to assist in defining strategies and goals for the Hinson-Hazlewood program.

Impact

These recommendations are designed to modernize the program's administration while orientating it to the State's needs. Allocating Hinson-Hazlewood funds through TGSLC's electronic funds transfer system would hasten fund disbursements to students and institutions, and improve the program's compatibility with institutions' loan processing systems. Requiring EFT transfers would improve the Hinson-Hazlewood program's attractiveness to higher education institutions and thereby increase their participation in the program. This recommendation would also place the Hinson-Hazlewood program on equal footing with private lenders already issuing student loans through TGSLC.

Prohibiting the issuance of new FFELP loans to individuals not participating in the Hinson-Hazlewood program would help decrease the program's redundancy with the private market. Such action would also re-direct state resources to other loan portfolios that can be better targeted to serve needier students in other programs. These recommendations would not take funds away from students or institutions; many of the students currently receiving Hinson-Hazlewood funds could find similar loans from private lenders. Rather, these recommendations will better position the Hinson-Hazlewood program to serve the strategic interests of the State.

Fiscal Implication

Allocating Hinson-Hazlewood funds through TGSLC's electronic funds transfer process would slightly increase the cost of loan disbursements. TGSLC assesses \$2.00 for each alternative loan disbursement. Assuming 27,600 disbursements per year, the annual cost for using TGSLC's electronic funds transfer would be \$55,200.⁶ Most of these extra costs would be offset by a savings to the program of \$45,244 per year through the discontinuation of the issuance of paper checks.⁷ The additional \$9,976 needed for using TGSLC's electronic funds transfer could be off-set by increasing the loan fees by \$0.36 for each disbursement, or the cost could be absorbed by the agency.

Just as additional costs to the program are anticipated, savings are also expected for participating institutions. Transferring funds to students through EFT would save institutions and students time and effort. By using TGSLC's system, institutions would no longer have to establish separate processes to accommodate the receipt of Hinson-Hazlewood funds. The amount of savings to institutions could not be estimated for this report.

Fiscal Year	Cost to General Revenue	Savings to General Revenue
2004	\$55,200	\$45,224
2005	\$55,200	\$45,224
2006	\$55,200	\$45,224
2007	\$55,200	\$45,224
2008	\$55,200	\$45,224

¹ Texas Higher Education Coordinating Board, *Self Evaluation Report*, page 216.

² The Hinson-Hazlewood program actually contains ten portfolios. Some of these loan portfolios, such as the Health Education Assistance Loan Program (HEAL) and the Supplemental Loans for Students Program (SLS), are no longer issuing new loans. These programs do, however, have outstanding loans that are still being serviced by the Coordinating Board.

³ Texas Higher Education Coordinating Board, Assistant Commissioner for Student Services, "HHCSLP Information Request," e-mail to Sunset Advisory Commission, February 23, 2002.

⁴ Texas Guaranteed Student Loan Corporation, Lender Fact Sheets, www.tgslc.org/tgslc/schlfs/New_LoanVolume.cfm.

⁵ See *FFELP Lenders*, University of Texas, www.utexas.edu/student/finaid/loans/lenders.html; *Recommended Lender List*, University of Houston, www.uh.edu/enroll/sfa/lenders.html; *Preferred Lenders*, Texas A&M, fais.tamu.edu.

⁶ According to the Coordinating Board there were 3,714 FFELP and 23,875 CAL/HELP disbursements in FY 2001, totaling 27,589 disbursements in all. The assumed number of disbursements used for this estimate was arrived at by rounding the FY 2001 figures up.

⁷ Texas Higher Education Coordinating Board, Assistant Commissioner for Student Services, "Savings from Mandating All Loans Through HHL by EFT," e-mail to Sunset Advisory Commission, March 7, 2002.

Issue 6

The Current Size of the Higher Education Coordinating Board Does Not Comply With Recent Changes to the Constitution.

Summary

Key Recommendation

- Reduce the size of the Higher Education Coordinating Board from 18 to 15 members.

Key Findings

- The composition of the Higher Education Coordinating Board does not comply with the terms of a recently adopted constitutional amendment.
- Reducing the size of the Board will not harm its policymaking functions.

Conclusion

The primary duties of the Higher Education Coordinating Board are to provide leadership and coordination for the state's higher education system, institutions, and governing boards. In 1965, the Legislature created an eighteen-member public Board allowing appointments to represent all areas of the state. However, in 1999, following the 76th Session, Texas voters approved a constitutional amendment requiring state agency boards to be composed of an odd number of members. The Sunset review examined the work of the Board and the impact of the constitutional amendment and concluded that reducing the Board by three members would bring the Board into compliance with the Constitution, while maintaining its geographic and institutional diversity. Reducing the size of the Board will not harm its policymaking functions and will have a small positive fiscal impact.

The composition of the Coordinating Board does not comply with the Texas Constitution.

Support

The Higher Education Coordinating Board is an eighteen-member policy body.

- In 1965, the Legislature created an eighteen-member Board appointed by the Governor. In practice, the size of the board allows the Governor to appoint representation from all areas of the state. See page 66 for the composition of the Board.
- The Board meets at least quarterly in Austin and provides leadership and coordination for the state's higher education system, institutions, and governing boards.

The composition of the Higher Education Coordinating Board does not comply with the terms of a recently adopted constitutional amendment.

- In 1999, Texas voters approved a constitutional amendment that requires state boards and commissions created by the Legislature to have an odd number of members with one-third, or as near as one-third as possible, of the members appointed every two years.
- The constitutional amendment does not allow boards created before the amendment to continue under their current composition. A temporary provision of the amendment requires the Legislature to recreate nonconforming boards to meet the new requirements by September 1, 2003.

Reducing the size of the Board will not harm its policymaking functions.

- Although the Board currently has nine standing committees, they are not statutory. The composition of these committees is determined entirely by the Board, so the Board has the flexibility to adjust the membership of these committees.
- Previous Sunset reviews, such as that of the Board of Pardons and Paroles, found that policymaking is difficult for large boards to accomplish. Increasing the size of the Higher Education Coordinating Board could inhibit policymaking. Reducing the size of the Board by three members will have the least amount of impact on a Board that already functions well.

Recommendation

Change in Statute

6.1 Reduce the size of the Higher Education Coordinating Board from 18 to 15 members.

This recommendation would reduce the Higher Education Coordinating Board to 15 members. The Governor would appoint one-third of the members every two years and the Board would continue to be composed entirely of public members. The recommendation could be implemented with provisions to allow fewer appointments when current Board members terms expire and a reallocation of existing terms to ensure an equal number of appointments every two years.

Impact

This recommendation would reduce the size of the Higher Education Coordinating Board to comply with the terms of the recent constitutional amendment, while maintaining a large enough size to represent the geographic and institutional diversity of the state.

Fiscal Implication

This recommendation would have a small positive fiscal impact to the State. Reducing the size of the Board would result in an annual reduction of approximately \$2,000 per board member in travel expenses.

Fiscal Year	Savings to the General Revenue Fund
2004	\$6,000
2005	\$6,000
2006	\$6,000
2007	\$6,000
2008	\$6,000

Issue 7

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

Summary

Key Recommendation

- Continue the Higher Education Coordinating Board for 12 years.

Key Findings

- Texas has a continued need to coordinate the efforts of its higher education institutions.
- The Coordinating Board has generally accomplished its mission of providing a comprehensive planning entity and coordinating the effective delivery of higher education.
- The Coordinating Board has taken significant steps to refocus its mission and streamline its regulatory activities.
- No substantial benefits would result from transferring the Coordinating Board's functions to another agency.

Conclusion

The State has several primary goals for higher education – making an affordable college education available to a broader percentage of the population, successfully preparing a well-education workforce, and ensuring institutions use taxpayers dollars widely as they provide higher education services. The Sunset review showed the State needs an organization such as the Coordinating Board to meet these goals. Given that independent boards of regents govern institutions of higher education, the State needs an entity that takes a statewide perspective on the higher education system, balancing institutional and local intentions with statewide needs.

Support

Texas has a decentralized system of higher education.

The Coordinating Board’s mission is to provide leadership and coordinate the system of higher education in Texas.

- The Legislature created the Coordinating Board in 1965 to provide leadership and coordination for the Texas higher education system. The agency seeks to ensure the effective use and concentration of available resources and the elimination of costly duplication in program offerings, faculties, and physical plants.
- Texas’ decentralized approach to public higher education encompasses 35 general academic teaching institutions; three state lower-division institutions; 50 community and junior college districts; one technical college system, with four main campuses and three extension centers; and nine health-related institutions.

The Coordinating Board’s major functions are as follows.

- Establishes state higher education plans, and gathers, analyzes, and provides information and data on higher education.
- Reviews and recommends changes in formulas for allocation of state funds to public institutions.
- Approves and coordinates degree programs at higher education institutions and the construction of major facilities at public higher education institutions, except community colleges.
- Administers state and federal programs to expand access, raise quality, improve efficiency, and increase research in higher education.
- Administers the state’s student financial aid programs.

Independently appointed boards of regents, or locally elected trustees for community colleges, govern these institutions. Public institutions enroll more than 875,000 students in Texas. The 77th Legislature appropriated \$13.6 billion to support higher education in the 2002–03 biennium.

Texas has a continued need to coordinate the efforts of its higher education institutions.

- Accurate and appropriate data and information on higher education is essential for the Legislature, Governor, and institutional governing boards to establish policies and make decisions regarding higher education. The agency provides information and policy analysis for the development of the state higher education plan and produces a biennial enrollment forecast to support statewide policy development and to determine the need for facilities. The Coordinating Board also supports the appropriations process by reviewing and recommending changes in funding formulas and makes available credit and contact hours used in the formulas.

- Due to the decentralized structure of higher education in Texas, state-level planning is necessary for policymakers to make appropriate decisions consistent with statewide goals and strategies to provide access, ensure quality, and promote efficiency. Without state-level planning, individual institutions would compete for resources and students to attain individual, rather than statewide success.
- Coordination of degree programs and facilities construction reduces unnecessary duplication of resources, helps to make the funds that the State invests in higher education go as far as possible, ensures that institutions design high quality programs, and resolves conflicts among institutions. For example, institutions may seek to create new professional schools to create a higher profile for the institution when the demands of the workforce may not support a new program. The creation of professional schools is typically very expensive.
- The Coordinating Board serves as an effective central administrator of statewide programs such as the Advanced Research Program, the Advanced Technology Program, the Hinson-Hazlewood College Student Loan Program, and the TEXAS Grant Program. Without central administration, each participating institution would have to administer these programs separately, resulting in much higher administrative costs and reduced opportunities for students.
- The State needs an entity to regulate the operation of unaccredited degree-granting institutions of higher education in Texas. Regulation prevents deception of the public resulting from the conferring and use of fraudulent or substandard degrees.
- At least 30 other states have created agencies to coordinate their systems of higher education, including nine of the ten most populous states. Many states that do not maintain comparable entities have a predominant university system and the system governing board serves as the primary source of coordination.

State-level planning is necessary to prevent unnecessary competition for resources between universities.

The Coordinating Board has generally accomplished its mission of providing comprehensive planning and coordinating the effective delivery of higher education.

- The Coordinating Board has undertaken initiatives to improve the planning for and analysis of the need for new institutions and programs. In 1998, the Board adopted the Supply/Demand Pathway to allow for increased state support for higher education services as actual demand for those services increases, or for decreasing state support as demand decreases. At the January 2002 board meeting, staff presented preliminary plans for an objective process for analyzing the need for more professional schools such as law and medical schools.

At least 30 other states have agencies to coordinate higher education.

- The agency successfully implemented the Toward EXcellence, Access, & Success (TEXAS) Grant Program that provides need- and merit-based grants to qualified Texas college and university students who graduate from high school. The agency also implemented the Teach for Texas Conditional Grant Program to provide a conditional grant to university students who agree to enter teaching in a critical shortage area or field.
- The agency created the Center for Financial Aid Information to provide information on financial aid and higher education to middle and high school students, their parents, and counselors. The Coordinating Board administers state-funded financial assistance programs that provide \$551.1 million biennially in scholarships or other types of financial aid to Texas students.

The Coordinating Board has taken significant steps to refocus its mission and streamline its regulatory activities.

- The Commissioner of Higher Education appointed an external panel in 1998 to review the agency’s responsibilities and procedures. The panel recommended that the Coordinating Board adopt a broad, long-term view focused on the state’s most critical issues and streamline agency procedures so that the Board can pay greater attention to major policy issues. As a result, the agency adopted procedures giving more responsibility to institutional governing boards to ensure that proposals for new degree programs and facilities meet Coordinating Board policies. At the same time, the agency also reduced the time required to obtain approval of less costly and non-controversial degree programs and facility requests.
- In 2000 the Coordinating Board established a new master plan for higher education in Texas – *Closing the Gaps*. The agency developed the plan with the participation of higher education, business, and community leaders from throughout the state. The plan outlines the goals of closing the gaps in higher education participation and success, in educational excellence, and in funded research over the next 15 years – the four challenges that are the most critical to overcome for the future social and economic health of the state.

The Legislature enacted several key pieces of legislation last session to help the state implement *Closing the Gaps*.

- All public high school students must to be automatically enrolled in the Recommended High School Program.
- Substantially increased funding for the TEXAS Grant Program and Teach for Texas Conditional Grant Program.
- Directed the Coordinating Board to carry out a statewide higher education awareness and motivational campaign.
- Provided funding for the Coordinating Board’s Information Access Initiative.

Closing the Gaps sets new goals for participation, success, excellence and research in higher education.

- The Coordinating Board has streamlined the institutional effectiveness review system for community colleges. Colleges may now choose between an on-site evaluation and a desk audit based on the institution's performance data.

No substantial benefits would result from transferring the Coordinating Board's functions to another agency.

- The most commonly discussed alternative for the structure and governance of higher education is the consolidation of all statewide responsibilities for the elementary and secondary education and higher education sectors (P-16 education) under a single governing board. Proponents point to the need for greater collaboration between higher education and elementary and secondary education on issues such as the improvement of students' preparation for success in college and the work force and educator recruitment, preparation, and retention. In addition, several states have considered the creation of a single state board for P-16 education because of the lack of current structures to address state-level, cross-sector coordination.
- Sunset staff determined no substantial benefits exist from merging the Texas Education Agency and the Coordinating Board. A "superboard" responsible for P-16 education would not necessarily lead to improved state-level policy coordination or to improved institutional-level coordination among P-16 sectors. One of the greatest challenges to creating a P-16 board in Texas is the size of the state—combining the coordination and governance of the many public colleges and universities in Texas and the vast number of school districts. This would create an education bureaucracy of unprecedented size with the potential to decrease efficiency and effectiveness rather than increase it. Some small administrative savings could result from this consolidation but this would not outweigh the disadvantages.
- Sunset staff identified the best solution for coordination as the state P-16 Council, convened by the Commissioner of Education, Commissioner of Higher Education, and the Executive Director of the State Board for Educator Certification. This organization has improved cooperation among those agencies, higher education systems, independent higher education, the Texas Business-Education Coalition, legislative education committees, the Governor's Office, and K-12 organizations.

Merging the Texas Education Agency and the Coordinating Board has few benefits and would create an education bureaucracy of unprecedented size.

Recommendation

Change in Statute

1.1. Continue the Coordinating Board for 12 years.

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

Impact

The intent of this recommendation is to allow the Coordinating Board to continue to carry out its mission to provide leadership and coordination for the Texas higher education system. As a result, the agency can continue to implement the state's higher education plan ensuring that all of the state's institutions of higher education operate in a way that supports the plan.

Fiscal Implication

If the Legislature continues the current function of the Coordinating Board as discussed in this report, the agency would require continuation of its annual appropriation of approximately \$269.9 million.

ACROSS-THE-BOARD RECOMMENDATIONS

Texas Higher Education Coordinating Board	
Recommendations	Across-the-Board Provisions
	A. GENERAL
Already in Statute	1. Require at least one-third public membership on state agency policymaking bodies.
Update	2. Require specific provisions relating to conflicts of interest.
Already in Statute	3. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Already in Statute	4. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Update	5. Specify grounds for removal of a member of the policymaking body.
Already in Statute	6. Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Apply	7. Require training for members of policymaking bodies.
Already in Statute	8. Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Already in Statute	9. Provide for public testimony at meetings of the policymaking body.
Update	10. Require information to be maintained on complaints.
Update	11. Require development of an equal employment opportunity policy.
Apply	12. Require information and training on the State Employee Incentive Program.

AGENCY INFORMATION

Agency Information

Agency at a Glance

The Legislature created the Texas Higher Education Coordinating Board (the Coordinating Board) in 1965 to ensure quality and efficiency as the state's public higher education system expands to meet the needs of a growing and changing population and work force.

The Coordinating Board's major functions are as follows.

- Establishes state higher education plans, and gathers, analyzes, and provides information and data on higher education.
- Reviews and recommends changes in formulas for allocation of state funds to public institutions.
- Approves and coordinates degree programs at higher education institutions and the construction of major facilities at public higher education institutions, except community colleges.
- Administers state and federal programs to expand access, raise quality, improve efficiency, and increase research in higher education.
- Administers the state's student financial aid programs.

Key Facts

- **Funding.** The Board operates with an annual budget of about \$269.9 million. Most of the agency's appropriation is trustee to the agency through special item appropriations that the agency ultimately allocates to higher education institutions and students throughout the state. About six percent of the FY 2001 appropriation, or about \$16.8 million, was used for the agency's operating budget. General Revenue supports approximately 75 percent of the agency's budget with the remainder supported by a variety of funding sources including interagency contracts, appropriated receipts, and proceeds from student loan repayments.
- **Staffing.** In fiscal year 2001, the Board had a staff of 277 full-time employees, all in Austin. More than a third of the agency's staff support the student financial aid programs administered by the agency.
- **Strategic Planning.** The Coordinating Board establishes a master plan for higher education in Texas. Titled *Closing the Gaps by 2015*, higher education, business, and community leaders from throughout the state developed the plan. The plan outlines the goals of closing

Mission Statement

The mission of the Texas Higher Education Coordinating Board is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to administer efficiently assigned statewide programs, and to advance higher education for the people of Texas.

Texas Higher Education Coordinating Board on the Internet

Information about the Board, including statutes and rules, the Texas higher education plan - *Closing the Gaps by 2015*, reports and publications, and data and statistics regarding Texas' public institutions of higher education is available on the Internet at www.theccb.state.tx.us. The Board also administers www.CollegeForTexans.com which provides a variety of information for students preparing for college.

The Coordinating Board reviews about 100 construction projects each year involving some four billion dollars.

The Coordinating Board provides \$551.1 million biennially in financial aid to Texas students.

the gaps in higher education participation and success, in educational excellence, and in funded research over the next 15 years — the four challenges that are the most critical to overcome for the future social and economic health of the state.

- **Formula Funding Review and Calculations.** The Coordinating Board conducts a biennial review and recommends changes to the formulas the Legislature uses to allocate a major portion of funding among institutions. The agency also provides the Legislative Budget Board with calculated formula amounts for institutions before and during the Legislative session to assist in preparation of the budget.
- **Institutional Construction Approval.** The Coordinating Board must approve most large construction projects and property acquisitions at universities, health-related institutions, and the Texas State Technical Colleges. This activity reviews about 100 projects per year involving about a billion dollars per year.
- **Administration of the Advanced Research and Advanced Technology Programs.** These peer-reviewed competitive grants programs provide approximately \$60 million in grants to faculty researchers in Texas universities and health-related institutions. The Coordinating Board solicits proposals and manages a competitive peer-review process for approximately 3,000 science and engineering proposals each biennium and oversees between 450 and 900 active grants.
- **Community and Technical Colleges.** The Coordinating Board is responsible for coordinating general oversight of Texas public two-year institutions including 50 community/junior college districts with 68 separate campuses, four colleges in the Texas State Technical College System, and three state colleges, for a total of 75 two-year institutions. In addition, the Coordinating Board has general oversight of associate degree approval for private proprietary institutions of higher education. Twenty-four proprietary institutions currently hold Certificates of Authority to offer associate degrees.
- **Student Financial Aid.** The Coordinating Board administers state-funded financial assistance programs that provide \$551.1 million biennially in scholarships or other types of financial aid to Texas students.

Agency History

The first efforts to coordinate higher education occurred in 1959 with the creation of the Texas Commission on Higher Education. The Commission had statutory responsibilities including establishing formulas to help the Legislature in making appropriations to institutions of higher education. In 1964, the Governor's Committee on Education Beyond

High School, appointed by Governor John Connally, recommended establishing a strong, central coordinating board for higher education. As a result, the Legislature created the Higher Education Coordinating Board in 1965 to ensure quality and efficiency as public higher education expanded to meet the needs of a growing and changing population and workforce.

In 1976, responding to Governor Dolph Briscoe's call to reduce competition among institutions for funding, the Legislature strengthened the Coordinating Board's responsibilities for approval of campus construction projects and the Board began a one-year moratorium on degree program changes allowing a comprehensive review of the role and scope of each senior institution.

Following the 1995 legislative session, the Governor, Lt. Governor, and Speaker of the House issue a joint statement saying, in part: "To ensure sound planning and careful analysis, all ideas for new programs, consolidation of college campuses or changes in the governance of our higher education institutions should be presented to the Coordinating Board." The Senate subsequently adopted rules implementing the policy statement.

In 1998, an external panel reviewed Coordinating Board responsibilities and procedures and recommended that the Coordinating Board adopt a broad, long-term view focused on the most critical issues to the state. The panel also recommended streamlining Coordinating Board procedures so that the Board can pay greater attention to major statewide issues.

In 1999, the agency formed the Higher Education Planning Committee, consisting of Coordinating Board members and higher education stakeholders, to develop a new higher education plan for Texas. The Coordinating Board in 2000 adopted the resulting plan, *Closing the Gaps by 2015*.

Organization

Policy Body

The Coordinating Board has 18 members appointed by the Governor, for staggered six-year terms, to represent all areas of the state. Members may not be employed professionally in the field of education during their term of office. The Governor designates the Coordinating Board's Chair and Vice Chair. The textbox, *Policy Body*, identifies the members and their places of residence.

The Board appoints the Commissioner of Higher Education, who serves at the pleasure of the Board. The Education Code provides that the Board will represent the highest authority in the state in matters of public

The Legislature created the Coordinating Board in 1965 to establish a strong, central coordinating function for higher education.

The Coordinating Board is governed by an 18-member public board.

Texas Higher Education Coordinating Board Policy Body	
Pamela P. Willeford, Chair (Austin)	Cathy Obriotti Green (San Antonio)
Martin Basaldua, Vice Chair (Houston)	Gerry Griffin (Hunt)
Neal W. Adams (Bedford)	Carey Hobbs (Waco)
Gen. Marc Cisneros, ret. (Corpus Christi)	Lorraine Perryman (Odessa)
Jerry Farrington (Dallas)	Adair Margo (El Paso)
Ricardo G. Cigarroa (Laredo)	Windy Sitton (Lubbock)
Kevin P. Eltife (Tyler)	Hector de J. Ruiz (Austin)
Raul B. Fernandez (San Antonio)	Robert W. Shepard (Harlingen)
Curtis E. Ransom (Dallas)	Terdema L. Ussery II (Dallas)

higher education. The primary responsibilities of the Board include developing a five-year master plan, updated annually, for higher education; approving degree programs and construction of major facilities at public universities; and recommending funding formulas for public higher education to the Legislature.

According to its enabling statute, the Coordinating Board holds quarterly meetings in Austin in January, April, July, and October. The Chair may convene other meetings. In FY 2000, the Board held four meetings. In FY 2001, the Board met six times – its regular quarterly meetings, and two additional meetings to consider higher education impact statements for bills considered by the Legislature.

Staff

In fiscal year 2001, the agency had a staff of 277 employees, all of whom work in its Austin headquarters. The Commissioner of Higher Education oversees the agency’s operations. The agency is organized into divisions according to its main functions. The chart, *Texas Higher Education Coordinating Board Organizational Chart*, depicts the organization of the agency and the number of employees in each division.

The agency employs 277 people, all in Austin.

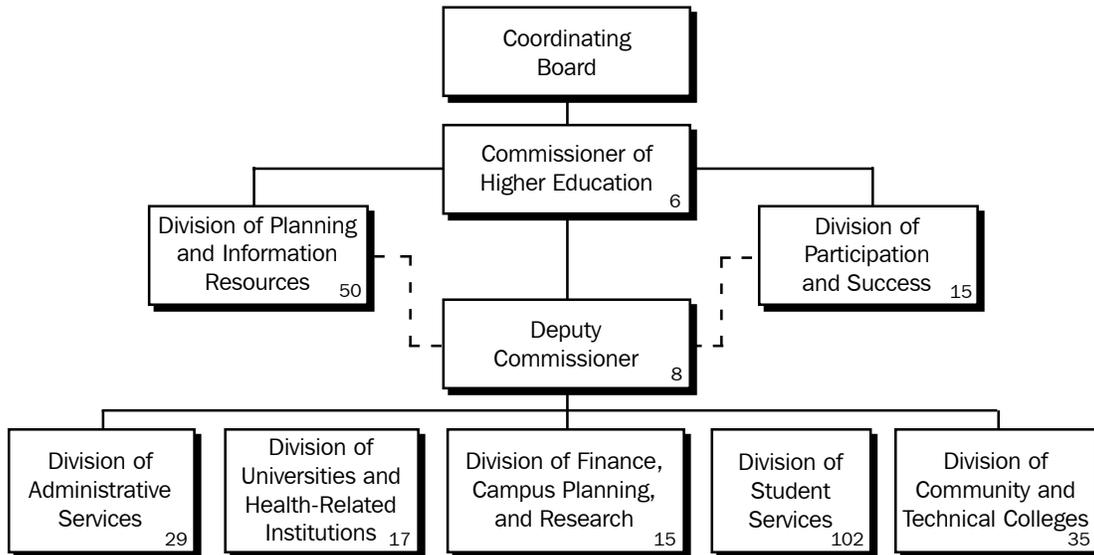
A comparison of the agency’s workforce composition to the minority civilian labor force over the past three years is shown in Appendix A, *Equal Employment Opportunity Statistics - Fiscal Years 1998-2001*. The agency has generally exceeded civilian labor force levels for each job category.

Funding

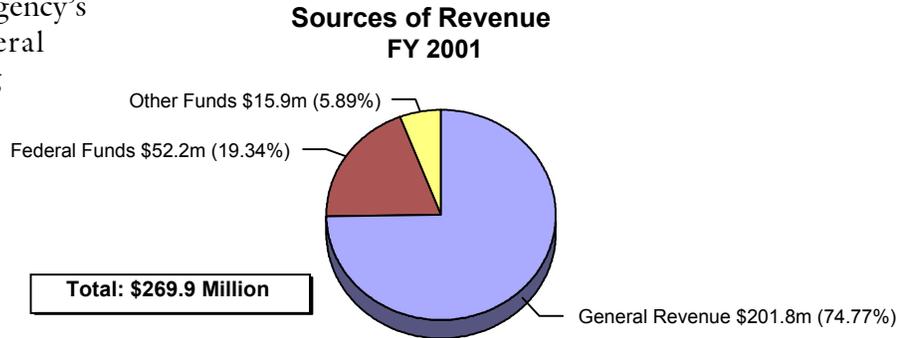
Revenues

The agency received a total of \$269.9 million in appropriated funds in fiscal year 2001. The pie chart, *Sources of Revenue*, identifies the major sources of revenue for that fiscal year. Approximately 75 percent, or

Texas Higher Education Coordinating Board Organizational Chart



\$201.8 million, of the agency’s revenue was from general revenue. The remaining revenue came from federal funds - primarily Carl Perkins vocational education grants; and other funds, such as student loan repayments, and an interagency transfer from the Foundation School Fund.



Most of the agency’s appropriation is trusted to the agency through special item appropriations, which the agency ultimately allocates to higher education institutions and students throughout the state. In fiscal year 2001, the agency was appropriated about \$253.1 million, or about 94 percent of its total appropriation, in trusted funds used for a variety of activities such as student financial aid, research and technology grants, and developmental education.

Expenditures

The agency spent \$16.8 million in fiscal year 2001 to administer its core functions of planning, coordination, and program administration. The pie chart, *Expenditures by Strategy*, gives a snapshot of the agency’s spending.



Appendix B, *Historically Underutilized Businesses Statistics, Fiscal Years 1998 – 2001*, shows the Commission’s use of Historically Underutilized Businesses (HUBs) in purchasing goods and services.

Agency Operations

In 2000, the Coordinating Board approved a new strategic plan for higher education – Closing the Gaps.

The mission of the Higher Education Coordinating Board is to coordinate higher education and advocate for adequate resources and sufficient authority to higher education institutions. In 2000, the Coordinating Board approved a new strategic plan for higher education, *Closing the Gaps*, aimed at reaching four goals by 2015.

Six divisions currently support the goals of *Closing the Gaps*: Planning and Information Resources; Participation and Success; Student Services; Universities and Health-Related Institutions; Community and Technical Colleges; and Finance, Campus Planning and Research. The table, *Divisional Support of Closing the Gaps*, gives an overview of the support toward the goals of the plan.

Closing the Gaps

Participation

- Enroll 500,000 more students across Texas in higher education institutions.

Success

- Increase the number of degrees and certificates by 50 percent.

Excellence

- Increase the number of nationally recognized programs and services at Texas higher education institutions.

Research

- Increase by 50 percent the level of federal science and engineering research funding at Texas institutions to \$1.3 billion.

Planning and Information Resources

The Planning Office provides information and policy analysis to support all four goals of Closing the Gaps and measuring success toward meeting the plan’s goals. The Information Resources Department provides information technology across the agency including student loan/grant program system development and maintenance.

Educational Data Center - Provides consistent longitudinal information for use in the Coordinating Board's work with the Legislature, Governor, and colleges and universities to coordinate higher education and promote efficiency. Information produced includes data for the colleges and universities to support their performance measures and credit and contact hours used in the appropriations process. The program also provides data for the Community and Technical Colleges Division to evaluate institutional effectiveness related to programs supported through federal Carl D. Perkins Technical/Vocational Education Program funds.

Divisional Support of Closing the Gaps				
Operating Division	Participation	Success	Excellence	Research
Planning and Information Resources	x	x	x	x
Participation and Success	x	x	x	
Finance, Campus Planning and Research			x	x
Universities and Health-Related Institutions	x	x	x	x
Community and Technical Colleges	x	x	x	
Student Services	x	x		

Participation and Success

The Participation and Success Division was created to specifically target the first two strategies of the *Closing the Gaps* plan by combining all of the agency programs that seek to increase student recruitment and retention. The Division's primary goals are to increase the level of students' preparedness for higher education; and to increase the effectiveness and productivity of educator recruitment, preparation, and retention efforts in the state.

Uniform Recruitment and Retention Strategy – In April of 2000, the Coordinating Board approved the Uniform Recruitment and Retention Strategy, as mandated by the 76th Legislature. The goal of this strategy is to identify, attract, enroll, and retain students that reflect the population of the state of Texas. The strategy requires each state institution of higher education to implement a strategic enrollment management plan and to report to the Board annually on the implementation of its plan.

Center for College Readiness – The agency administers the Texas Academic Skills Program (TASP) designed to provide information about the reading, mathematics, and writing skills of each student entering a Texas public college or university. Incoming first year students who do not pass the TASP test must take developmental education classes in those areas where the test has shown a weakness.

Educator Preparation Program – The Coordinating Board has undertaken measures to recruit, prepare, and retain more school teachers in an effort to improve the quality of primary and secondary education which impacts student success in college. Board staff currently work with more than 100 accredited educator preparation programs (both traditional and alternative) across the state, and assist institutions in obtaining approval from the State Board for Educator Certification (SBEC) for new educator

The Coordinating Board administers a new \$5 million public awareness and motivational campaign.

certification programs. Board staff are also currently working with SBEC and TEA to develop a statewide campaign for teacher recruitment and retention, as mandated by the 77th Legislature in a rider to the General Appropriations Act.

Public Awareness and Motivational Campaign – The 77th Legislature appropriated \$5 million to the Coordinating Board to increase participation in higher education through a sustained, statewide public awareness and motivational campaign. The Board has contracted with a private marketing firm to design a campaign to educate Texas families through multimedia and bilingual communications about the value of a college education.

Finance, Campus Planning, and Research

Campus Planning – The Commissioner of Higher Education or the Coordinating Board must approve large construction and renovation projects for higher education institutions. The Campus Planning Office initially reviews all projects and then makes recommendations to the Commissioner or the Campus Planning Committee of the Board. The Office also prepares analyses of tuition revenue bond projects that are eligible for approval by the Commissioner.

Finance Office – The State allocates most funds to Texas' public universities and colleges through funding formulas. Each biennium, committees review the formula structures for two-year colleges, universities, and health-related institutions. The Finance Office coordinates the work of these advisory committees, does analysis for them, and provides formula funding alternatives for their consideration. Immediately before and during the legislative session, the Office prepares formula funding calculations that the Legislative Budget Board uses in preparation of the appropriations bill. The office also administers pass-through funds trusted to the Coordinating Board by the Legislature.

The State funds \$60 million in research grants to Texas universities.

Research Programs – The Research Programs Office administers the Advanced Research and Advanced Technology grant programs. These state-funded programs provide \$60 million in grants to Texas universities and health-related institutions. The Office facilitates the competitive peer-review of grant proposals and oversees compliance for programs receiving funding.

Universities and Health Related Institutions

The Universities and Health Related Institutions Division carries out the Coordinating Board's mission to take an active part in promoting quality education and to ensure equal access for students. The Division also carries out the Board's key function of reviewing the existing and proposed mission statements, tables of programs, and degree and certificate programs offered by the public universities and health related

institutions to assure that they meet the present and future needs of the state. The Division also reviews requests to operate in Texas from all non-accredited private degree granting institutions of higher education, to ensure that a minimal quality level is being provided.

Community and Technical Colleges

The Community and Technical Colleges Division supports the goals of participation, success and excellence among Texas's public and private two-year degree-granting institutions. The Division administers and monitors the federal Carl D. Perkins programs that support vocational/technical education. The Perkins funding promotes the development of career and technology programs, including linking high-school and college programs leading to high-skill careers; professional development activities; career counseling; and programs for special population students. The Division reviews and approves programs at public and private two-year degree granting institutions and addresses academic and transfer issues. In addition, the Division conducts institutional effectiveness reviews of colleges to ensure compliance with state and federal requirements.

The federal Carl D. Perkins programs support vocational/technical education.

Student Services

The Student Services Division manages all of the State's student financial assistance programs and oversees issues of residency tuition and fees. These programs ensure the participation of students in higher education who may not have participated because of financial difficulties.

Grants, Scholarships and Work-Study – The Coordinating Board acts as trustee for state and federal funds for sixteen programs, twelve of which are fully active. The textbox, *Grants & Scholarship Programs*, lists the active grants programs. As the trustee for these programs, the Division primarily develops and amends program rules, collects data for use in allocating funds, and allocates funds to participating institutions.

Tuition and Fee Exemptions and Waivers – The Division administers five student fee exemption and waiver programs. The programs include the Early High School Graduation Scholarship Program, the exemption program for students receiving Temporary Assistance for Needy Families, the Educational Aides Exemption Program, the Good Neighbor Scholarship Program, and the Texas National Guard Tuition Assistance Program.

Residency and the Hazlewood Act – The Division serves as a source of information about the statutes and rules governing the determination of residency for tuition

Grants & Scholarship Programs

- Toward Excellence, Access and Success Grant Program (TEXAS Grant)
- Tuition Equalization Grant Program
- Public Student Incentive Grant Program
- Leveraging Education Assistance Program
- Fifth-Year Accounting Student Scholarship Program
- Robert C. Byrd Honors Scholarship Program
- License Plate Insignia Scholarship Program
- Four nursing scholarship programs
- Texas College Work-Study Program
- Texas New Horizons Scholarship Program
- Texas Tuition Assistance Grant Program

and state financial aid purposes. The Division also serves as a source of information for the determination of veteran’s eligibility to participate in the Hazlewood Act tuition and fee exemption program. In fulfilling this role, the Division primarily develops and amends rules for determining residency; and fields inquiries from students, registrars, and admissions officers.

Professional and Vocational Nursing Incentive Grants – The Professional and Vocational Nursing Incentive Grants program funds nursing departments to help pay for projects to increase nursing student retention. The Division develops program rules, distributes request for proposal forms, and allocates funds to selected institutions.

The Coordinating Board administers several loan forgiveness and repayment programs for targeted geographic or professional areas.

Financial Aid Database Report – The Financial Aid Database Report is an annual student-by-student report prepared by all institutions participating in one or more of the state’s financial aid programs. The report provides the Legislature an annual assessment of the financial aid need of Texas students. The Division compiles the Financial Aid Database Report.

Service Obligation Programs – The Division administers multiple student loan forgiveness and repayment programs. These programs fund qualified students who agree to perform services in targeted geographic or professional areas in the future. Some examples of these loan forgiveness and repayment programs are listed in the textbox, *Incentive Programs*. As the administrator for these programs, the Division distributes program information to appropriate institutions of higher education, reports program data to federal and state entities, and reviews applications for compliance with program eligibility requirements.

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Incentive Programs</p> <ul style="list-style-type: none"> • The Border County Doctoral Faculty Education Loan Repayment Program • The Teacher Education Loan Repayment Program of Texas • The Professional Nurses Student Loan Repayment Program • The Future Teacher Education Loan Program • The State Medical Education Board Program • Early Childhood Childcare Provider Student Loan Repayment Program • Conditional Loan Repayment Program for Attorneys Employed by the Office of the Attorney General |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Hinson-Hazlewood College Student Loan Program – The Hinson-Hazlewood College Student Loan Program funds low-interest loans to Texas college and university students. The five major Hinson-Hazlewood loan programs are described in the textbox, *Hinson-Hazlewood Loan Programs*. The Division assists students and financial aid administrators in processing student loans. Staff counsel and assist borrowers in repaying education loans. Staff also works toward default prevention by contacting Hinson-Hazlewood borrowers regarding past-due amounts. In case of a borrower’s default, death, bankruptcy, or permanent disability, the Divisions files a claim with the U.S. Department

Hinson-Hazlewood Loan Programs

Hinson-Hazlewood Federal Stafford Loan – An education loan program of the Federal Family Education Loan Program that provides subsidized and unsubsidized education loan to Texas students. Implemented by the Coordinating Board in 1971.

Hinson-Hazlewood College Access Loan Program – Education loan program to provide loans to cover the amounts that the student or the student's family are expected to contribute toward the cost of higher education. Authorized by the Legislature in 1988.

Hinson-Hazlewood Health Education Loan Program – Provides education loans to students of medicine, podiatry, osteopathy, public health, dentistry, pharmacy, veterinary science, and optometry. Authorized by the Legislature in 1988.

Hinson Hazlewood Health Education Assistance Loan Program – A federal education loan program administered by the U.S. Department of Health and Human Services that provides education loans to students enrolled in Texas health-related institutions. Similar to the Health Education Loan Program.

Hinson-Hazlewood Supplemental Loans for Students Program – A federal education loan program administered by the U.S. Department of Education that provides education loans to graduate and professional students and independent undergraduate students enrolled in Texas colleges and universities.

of Education, Department of Health and Human Services, and with the Texas Guaranteed Student Loan Corporation for reimbursement.

Center for Financial Aid – The Center for Financial Aid Information distributes information about financial aid opportunities and procedures, including information about different types of financial aid available, eligibility requirements, and procedures for applying for financial aid. The Division administers the Center.

APPENDICES

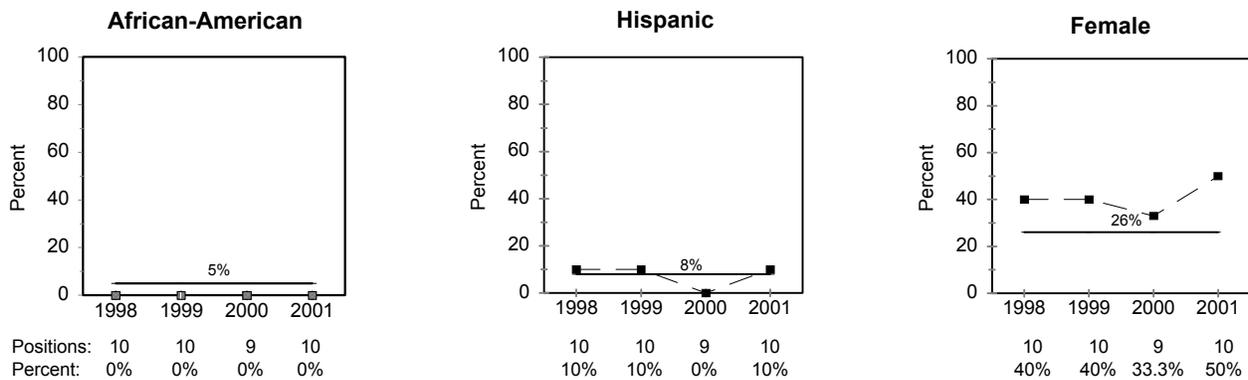
Appendix A

Equal Employment Opportunity Statistics

1998 to 2001

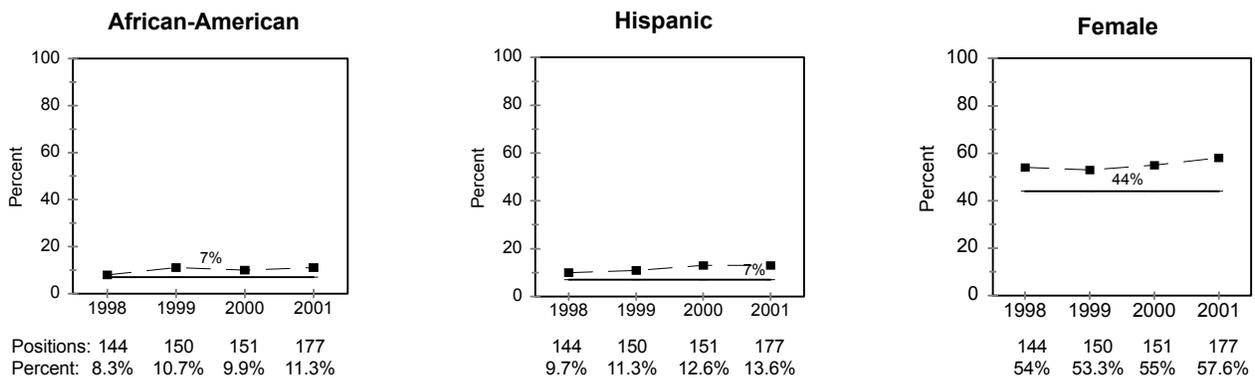
In accordance with the requirements of the Sunset Act, the following material shows trend information for the agency's employment of minorities and females in all applicable categories.¹ The agency maintains and reports this information under guidelines established by the Texas Commission on Human Rights.² In the charts, the flat lines represent the percentages of the statewide civilian labor force that African-Americans, Hispanics, and females comprise in each job category. These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The dashed lines represent the agency's actual employment percentages in each job category from 1998 to 2001. Finally, the number in the parentheses under each year shows the total number of positions in that year for each job category. The Coordinating Board does not employ persons in some job categories – skilled craft, and protective services. In FY 2001, the Board employed 277 FTEs.

State Agency Administration



The Coordinating Board generally meets or exceeds civilian labor force standards for Hispanics and women employed in this category.

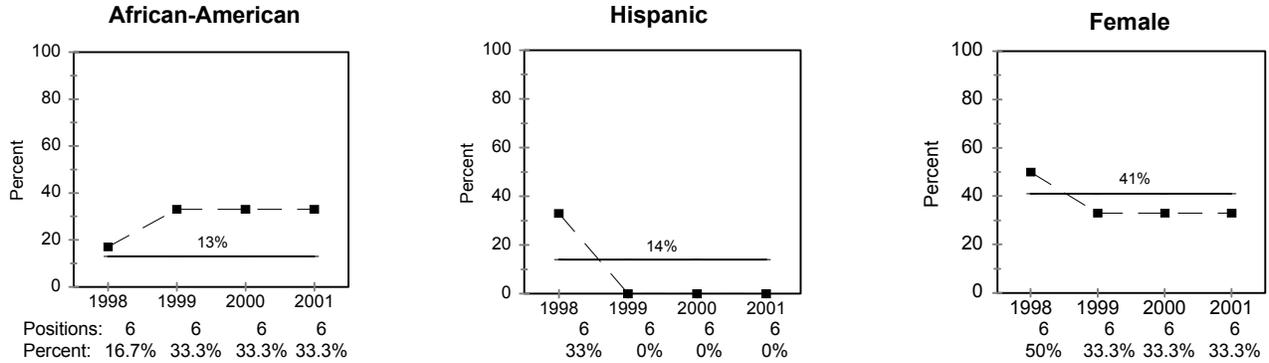
Professional



The Coordinating Board generally meets or exceeds civilian labor force standards for all categories.

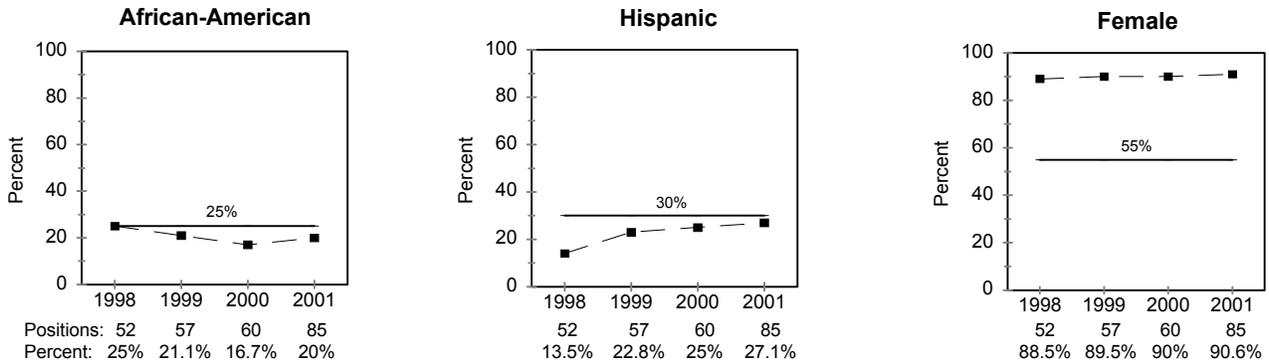
Appendix A

Technical



The Coordinating Board falls below civilian labor force averages for Hispanics and women employed in technical positions. However, the agency has only employed an average of six individuals in this category.

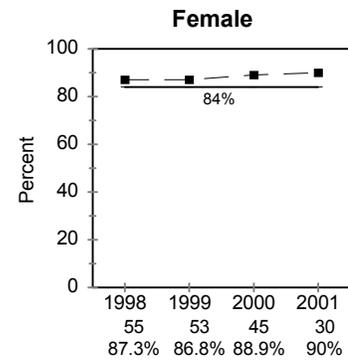
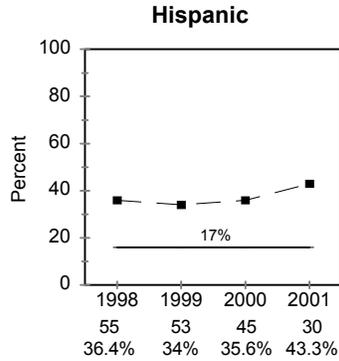
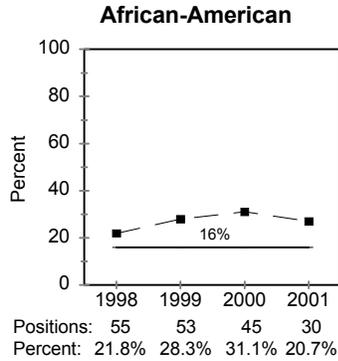
Para-Professional Support



Generally, the Coordinating Board employs one and a half times more women in paraprofessional positions than the civilian labor force average. However, the Coordinating Board falls below the average in its employment of African Americans and Hispanics.

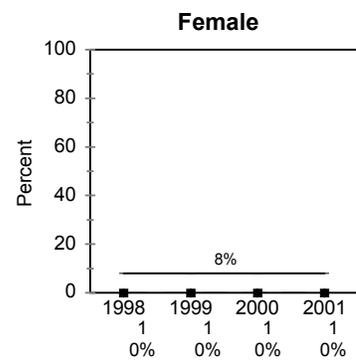
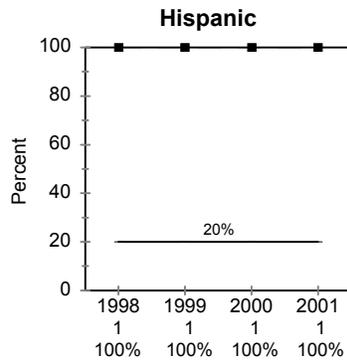
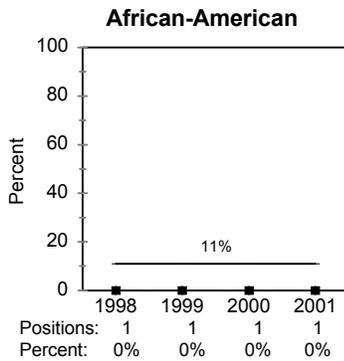
Appendix A

Administrative Support



The Coordinating Board generally meets civilian labor force standards in employing minorities and women in administrative support positions.

Skilled Craft



The Coordinating Board's only skilled craft employee is a Hispanic.

¹ Texas Government Code Ann., ch. 325, sec. 325.011(9)(A).

² Texas Labor Code Ann., ch. 21, sec. 21.501

Appendix B

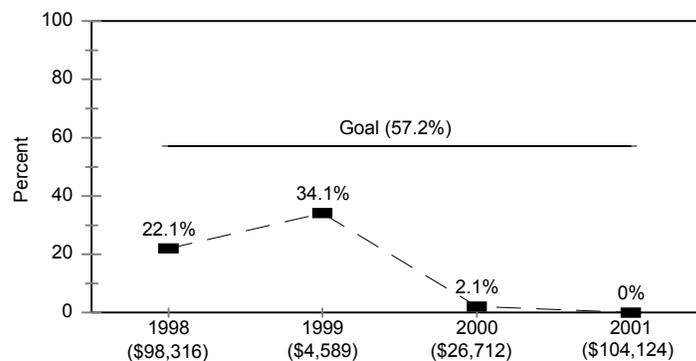
Historically Underutilized Businesses Statistics

1998 to 2001

The Legislature has encouraged state agencies to increase their use of Historically Underutilized Businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.¹

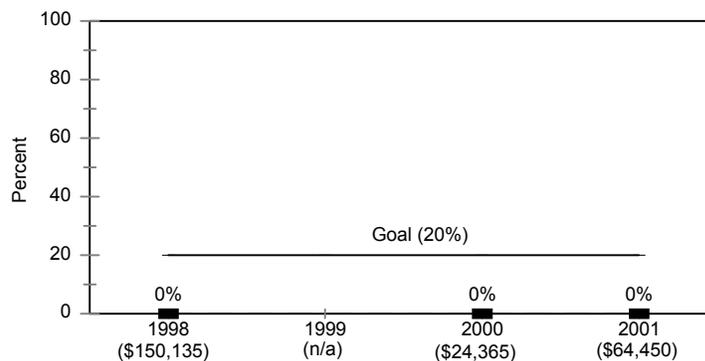
The following material shows trend information for the Texas Higher Education Coordinating Board's use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.² In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The dashed lines represent the percentage of each spending with HUBs in each purchasing category from 1998 to 2001. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The agency has fallen below the state goal for special trade, professional services, and other services. However, the agency has consistently surpassed by a large margin the goal for commodities spending.

Special Trade



The agency fell below the state goal from 1998 to 2001.

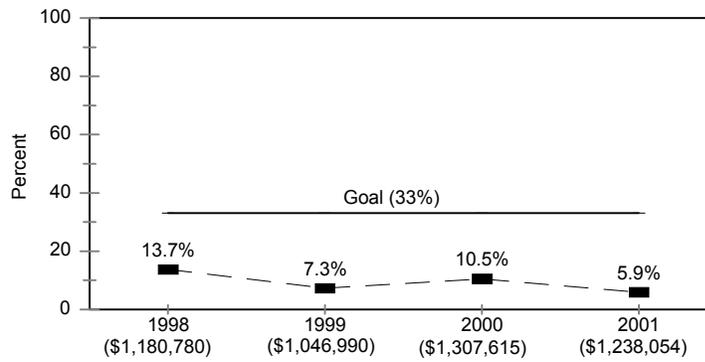
Professional Services



The agency has not made any professional services purchases from HUBs from 1998 to 2001.

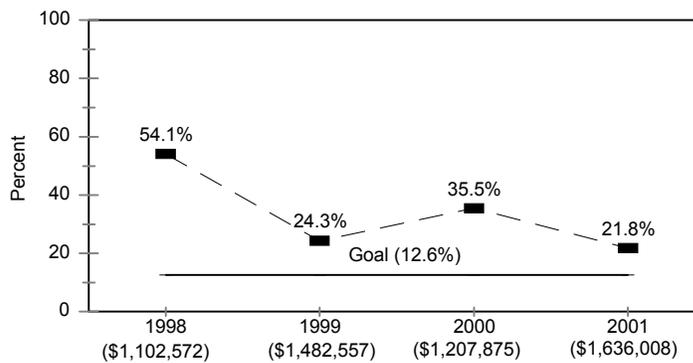
Appendix B

Other Services



The agency fell below the state goal from 1998 to 2001.

Commodities



The agency significantly exceeded the state goal from 1998 to 2001.

¹ Texas Government Code Ann., ch. 325, sec. 325.011(9)(B) (Vernon 1999).

² Texas Government Code Ann., ch. 2161.

Appendix C

Public Institutions of Higher Education

General Academic Institutions (35)

Angelo State University, San Angelo
Lamar University, Beaumont
Midwestern State University, Wichita Falls
Prairie View A&M University, Prairie View
Sam Houston State University, Huntsville
Southwest Texas State University, San Marcos
Stephen F. Austin State University, Nacogdoches
Sul Ross State University, Alpine
Sul Ross State University Rio Grande College, Uvalde
Tarleton State University, Stephenville
Texas A&M International University, Laredo
Texas A&M University, College Station
Texas A&M University at Galveston, Galveston
Texas A&M University-Commerce, Commerce
Texas A&M University-Corpus Christi, Corpus Christi
Texas A&M University-Kingsville, Kingsville
Texas A&M University-Texarkana, Texarkana
Texas Southern University, Houston
Texas Tech University, Lubbock
Texas Woman's University, Denton
The University of Texas at Arlington, Arlington
The University of Texas at Austin, Austin
The University of Texas at Brownsville, Brownsville
The University of Texas at Dallas, Richardson
The University of Texas at El Paso, El Paso
The University of Texas at San Antonio, San Antonio
The University of Texas at Tyler, Tyler
The University of Texas of the Permian Basin, Odessa
The University of Texas-Pan American, Edinburg
University of Houston, Houston
University of Houston-Clear Lake, Houston
University of Houston-Downtown, Houston
University of Houston-Victoria, Victoria
University of North Texas, Denton
West Texas A&M University, Canyon

Health-Related Institutions (9)

Texas Tech University Health Science Center, Lubbock
Texas A&M University System Health Science Center, College Station
University of Texas Health Center at Tyler, Tyler
University of Texas Health Science Center at Houston, Houston
University of Texas Health Science Center at San Antonio, San Antonio
University of Texas M.D. Anderson Cancer Center, Houston
University of Texas Medical Branch at Galveston, Galveston
University of Texas Southwestern Medical Center at Dallas, Dallas
University of North Texas Health Science Center at Fort Worth, Fort Worth

Two-Year Lower-Level Institutions (57)

Alamo Community College District, San Antonio
Alvin Community College, Alvin
Amarillo College, Amarillo

Appendix C

Angelina College, Lufkin
Austin Community College, Austin
Blinn College, Brenham
Brazosport College, Lake Jackson
Central Texas College District, Killeen
Cisco Junior College, Cisco
Clarendon College, Clarendon
Coastal Bend College, Beeville
College of the Mainland, Texas City
Collin County Community College District, Plano
Dallas County Community College District, Dallas
Del Mar College, Corpus Christi
El Paso Community College District, El Paso
Frank Phillips College, Borger
Galveston College, Galveston
Grayson County College, Denison
Hill College, Hillsboro
Houston Community College System, Houston
Howard County Junior College District, Big Spring
Kilgore College, Kilgore
Lamar Institute of Technology, Beaumont
Lamar State College - Orange, Orange
Lamar State College - Port Arthur
Laredo Community College, Laredo
Lee College, Baytown
McLennan Community College, Waco
Midland College, Midland
Navarro College, Corsicana
North Central Texas Community College, Gainesville
North Harris Montgomery Community College District, Houston
Northeast Texas Community College, Mount Pleasant
Odessa College, Odessa
Panola College, Carthage
Paris Junior College, Paris
Ranger College, Ranger
San Jacinto Community College, Pasadena
South Plains College, Levelland
South Texas Community College, McAllen
Southwest Texas Junior College, Uvalde
Tarrant County College District, Fort Worth
Temple College, Temple
Texarkana College, Texarkana
Texas State Technical College - Harlingen, Harlingen
Texas State Technical College - Marshall, Marshall
Texas State Technical College - Waco, Waco
Texas State Technical College - West Texas, Sweetwater
Texas Southmost College, Brownsville
Trinity Valley Community College, Athens
Tyler Junior College, Tyler
Vernon College, Vernon
Victoria College, The, Victoria
Weatherford College, Weatherford
Western Texas College, Snyder
Wharton County Junior College, Wharton

Appendix D

Staff Review Activities

The Sunset staff engaged in the following activities during the review of the Higher Education Coordinating Board.

- Worked with the Coordinating Board's Commissioner, management, and staff.
- Interviewed Coordinating Board members; both in person and by phone.
- Reviewed agency documents, reports, and publications.
- Attended Coordinating Board meetings and reviewed the minutes of past meetings.
- Interviewed staff and reviewed reports from the State Auditor's Office, Legislative Budget Board, Comptroller's Office, Texas Education Agency, State Board for Educator Certification, Texas Guaranteed Student Loan Corporation, Texas Workforce Commission, Texas Council on Workforce and Economic Competitiveness, Skill Standards Board, and Department of Banking.
- Met in person, or interviewed over the phone, community and technical college presidents, university presidents and officials, financial aid directors, agency advisory committee members, and university faculty.
- Interviewed key legislators' staff.
- Met in person, or interviewed over the phone, representatives of the Texas Association of Community Colleges, Independent Colleges and Universities of Texas, and Council of Public University Presidents and Chancellors.
- Made field visits to institutions of higher education in San Antonio, San Marcos, Kilgore, and Austin.
- Attended a Coordinating Board on-site institutional effectiveness review of a community college.
- Viewed Advanced Technology Program and Advanced Research Program research projects funded by the Coordinating Board.
- Surveyed funding allocation procedures used by other states and private institutions.
- Attended meetings of agency advisory committees including formula, financial aid, and common application advisory committee meetings.
- Attended meetings of the Joint Advisory Committee, P-16 Council, and Southern Regional Education Board.
- Attended the Coordinating Board's "Closing the Gaps" Conference in June 2001 and Regents and Trustees Conference in November 2001.

**SUNSET REVIEW OF THE
TEXAS HIGHER EDUCATION
COORDINATING BOARD**

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