



Legislative Study Group

Texas House of Representatives

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LSG Analysis and Recommendations on State of Higher Education in Texas - Part 1

In 2003, the passage of legislation deregulating tuition marked the end of an era of accountability, accessibility and affordability in Texas public higher education. As predicted during floor debate, tuition began to skyrocket as university regents passed costs that had previously been covered by the state on to students and parents. Funding for TEXAS Grants and student loans have

increased, they have debate, tuition began to skyrocket as university regents passed costs that had previously been covered by the state on to students and parents. While overall funding for TEXAS Grants and student loans have increased, they have not risen on par with the escalating cost of tuition nor have they kept up with the number of qualifying students, creating a growing gap between those able to afford college and those in need of financial assistance.

To increase access and improve the state of Higher Education in Texas, the state must:

- ❖ Place a higher priority on higher education
- ❖ Repeal deregulation, lower and freeze tuition
- ❖ Increase state funding for scholarships
- ❖ Invest in tier one university development
- ❖ Preserve the Top 10 Percent law

Enshrined in the Texas constitution is a commitment to provide educational opportunities for the citizens of the state. Knowing that a well-educated populace was key in bolstering a stronger future, Texas' founders set about establishing a system of higher education funded by the state's vast resources in land. For more than a century, state lawmakers - accountable to the voters who elected them - set and regulated the cost of tuition at Texas universities. While relying on state funds to keep the cost low, the state ensured that access to a college degree was available to students willing to earn it. Formerly, a student could work part-time sacking groceries and earn enough money to cover the cost of the low, state-subsidized college tuition.

In 2003, for the first time in Texas history, the Texas Legislature abdicated its role as regulators of college tuition. Lawmakers made the choice to pass tuition deregulation in lieu of properly funding what should be a top priority of the state. This gave appointed, nonelected boards of regents unlimited power to raise tuition. The Legislature was able to shirk its responsibility for funding colleges by shifting more of the burden onto the shoulders of parents and students in the form of tuition costs.

Efforts to curtail admissions under the Top 10 Percent law, coupled with skyrocketing tuition and fees will only create a greater divide in Texas between those that have access to quality education and those that do not. The solution is for elected state officials to take back the responsibility for controlling tuition costs at public colleges and universities in Texas while expanding the opportunities available to Texas students. The development of more top tier universities in the state of Texas is necessary to meet the demands in excellence for a growing population.

Turning the tide

To reverse the disturbing trends of the last five years while establishing a top-tier system of higher education for Texas' future, a four-pronged approach must be implemented.

First, the Legislature must repeal tuition deregulation, lower and freeze tuition rates, and provide an initial expenditure to buy down tuition rates by at least \$500 per year for students. This would provide initial relief while ensuring that future legislators, accountable to the taxpayers, set rate increases for tuition in a responsible fashion.

Second, investment in state scholarships must increase to make up for the growing gap between state provided assistance and the cost of tuition. This would entail further funding of TEXAS Grants, expanding access to B-On-Time loans, and creating a separate and new fund for merit-based scholarships so that students do not have to graduate from college burdened with large debt.

Third, the state's investment in university research programs must be expanded, creating more tier-one institutions of higher learning to compete with other states - this would ease crowding at Texas' two flagship universities by increasing available slots of excellence for Texas students while bringing more industries and economic development to the state and creating jobs for Texans.

Fourth, the state must preserve the Top 10 percent law and resist efforts to impose TAKS-style exams that would hamper academic opportunities for students. This ensures the continued growth of diverse classrooms with people of color, from rural areas and from varying economic backgrounds while yielding increased graduation rates and higher grades. It also prevents universities from succumbing to standardized, state-imposed testing that stifles academic growth and learning.

Tuition Rates

The Comptroller has projected that the 81st Legislative Session will have a \$10.7 billion budget surplus. Estimates by the Speaker's office have put the surplus at \$15 billion. Regardless, a surplus of that magnitude signals that the Texas Legislature can and must properly address the priorities of the state, including fully funding higher education to provide for greater educational opportunity and choice for Texas schoolchildren.

In 2003, a cut of \$245 million from General Revenue resulted in an average tuition increase of around \$252 per semester by the Fall of 2004. Texas must repeal tuition deregulation and cut and freeze university tuition rates. The state must infuse the higher education system with funding to provide at least a \$500/year cut in tuition to university students. With rates under control by the Legislature, future legislation should ensure that future increases are responsible and measured.

Scholarships

Appropriations should be made to restore and expand college scholarship programs. TEXAS Grants currently serve qualifying students with financial aid -- and while these grants have seen some growth they have not been able to keep up with the rising cost of tuition and the number of

students who qualify for them. The Legislature should start by increasing funding to this program to get it on par with current tuition levels and current demand. Secondly, B-On-Time loans provide funding to students who responsibly complete their academic requirements - this program should be increased to expand the availability to more students who complete their college coursework within four years.

A separate and new scholarship fund should be created based on merit that provides higher education opportunities to achieving students, regardless of their economic status. This would serve to benefit middle income families, that have had to bear the brunt of skyrocketing tuition rates. The great toll that has been taken on average Texas families has forced them to search out additional loans to cover the cost of rising tuition. By creating an additional fund to aid these families the state would be providing great academic incentive for students while reducing the amount of debt they and their parents must face upon graduation.

Expand Tier One Universities

Texas has two public universities that are classified as tier one institutions, Texas A&M and the University of Texas at Austin. These are also the schools with the largest number of admissions under the Top 10 Percent law. Given the choice, students obviously prefer to attend a university with a “top tier” reputation. Rankings in the Carnegie Classification system, Association of American Universities and US News & World Report greatly affect the desire to attend Texas’ two tier one universities, UT-Austin & A&M.

Instead of taking steps to curtail the number of students that are admitted to these two universities, the state of Texas should take steps to expand the number of top-tier universities. Having more tier one universities spread throughout the state would decrease the burden on UT-Austin and TAMU by offering students the option to attend competitive schools that are geographically closer to home. By broadening the number of top tier institutions of higher learning, admissions to UT and TAMU under the Top 10 Percent law would drop. It would also allow students in the top ten percent who are more financially disadvantaged to attend high-quality schools closer to home for less money.

As the state with the second highest population total in the nation, there are only two tier one universities in Texas. California has 10 tier one universities, New York has eight, Massachusetts five and Illinois four. Proportionally, Texas should have six to seven total top tier universities to maintain competitiveness.

Populous States and Number of Tier One Universities:

<i>Population of Texas -</i>	23,507,783
<i>Number of public tier one universities -</i>	2
<i>Population of California -</i>	36,457,549
<i>Number of public tier one universities -</i>	10
<i>Population of Virginia -</i>	7,642,884
<i>Number of public tier one universities -</i>	3
<i>Population of Michigan -</i>	9,938,444
<i>Number of public tier one universities -</i>	3
<i>Population of Pennsylvania -</i>	12,440,621
<i>Number of public tier one universities -</i>	3
<i>Population of Illinois -</i>	12,831,970
<i>Number of public tier one universities -</i>	3
<i>Population of Florida -</i>	18,089,888
<i>Number of public tier one universities -</i>	3
<i>Population of New York -</i>	19,306,183
<i>Number of public tier one universities -</i>	8

Investment by the state serves as seed money. To qualify as tier one, a school needs to spend \$100 million on research. After initial investments by the state, additional funding is drawn from federal and private grants as a return on the investment. Investment in research and development yields a 20 to 30 percent rate of return to the state in terms of jobs and economic stimulus. Money begets money, and the state's additional investment in institutions of higher education would not only greatly expand the possibilities for students, resulting in a better educated populace, but would help the state maintain a competitive economic edge in technology and human capital in the 21st century.

Tier 1, or Research Universities I, offer a full range of baccalaureate programs, are committed to graduate education through the doctorate, and give high priority to research. They award 50 or more doctoral degrees each year. In addition, they receive annually \$40 million or more in federal support for research with a total research budget of at least \$100 million.

Just below UT-Austin and TAMU, Texas Tech and the University of Houston are classified as the two Research II schools in Texas. To reach Research I status, the main step would be to increase their research funding to \$100 million. Below are samples of universities in Texas and their research budget.

Emerging Research Universities

	<u>Enrollment</u>	<u>Research</u>	<u>Endowment</u>
Texas Tech	27,000	\$51 (<i>million</i>)	\$327 (<i>million</i>)
University of Houston	31,000	\$76	\$258
UNT	28,000	\$16	\$69
UT-Arlington	20,000	\$35	\$51
UT-Dallas	12,000	\$43	\$236
UT-El Paso	15,000	\$42	\$142
UT-San Antonio	22,000	\$32	\$44

Public Tier One Universities

Texas A&M	43,000	\$446	\$370
UT – Austin	46,000	\$447	\$2,474

As is clear, other Texas universities serving distinct geographic and ethnic populations are underfunded with regard to the steps needed for Texas to be a leader in Tier I universities – which not only attract highly qualified professors and researchers and garner far more in federal research grants but also bolster the Texas economy by attracting businesses that wish to utilize the human capital Tier I universities produce.

Worries about the Top 10 Percent law would evaporate as the number of students in the top ten percent of their graduating class consider other top tier universities that are nationally ranked and closer to home.

As is evident from the above chart, only two universities in Texas spend more than \$100 million on research, UT-Austin and Texas A&M spend \$447 and \$446 million, respectively. The University of Houston needs \$24 million to reach that threshold, Texas Tech needs \$49 million, UT-Dallas needs \$57 million, UT-El Paso needs \$58 million, UT-Arlington needs \$65 million, UT-San Antonio needs \$68 million and UNT needs \$84 million in additional funding. An

investment of \$405 million could yield seven additional Tier One Schools in Texas, bringing the total to nine. An investment of \$188 million could bring in four schools to Tier One status (Tech, UH, UTD & UTEP).

Various proposals for expanding the amount of research spending have been proposed in the Legislature in the past. Creating a Research Excellence Fund that had as its purpose the expansion of research programs at universities would be the most practical and effective method to ensure that institutions of higher learning receive the necessary funding in future sessions of the Legislature.

In 1960 the California legislature created the California Master Plan for Higher Education. Foreseeing the rise in population and the looming transition to an economy that places a significant need for a college education, legislators set the groundwork for a sweeping overhaul of higher education that would accommodate the coming growth of the state and attract future business and economic development.

The goal in California was to make a degree in higher education attainable to anyone that desired it, without regard to their economic background. Among initiatives implemented were a guarantee that students graduating in the top 12.5 percent among their peers statewide would be allowed admittance to a University of California campus. Funding was ensured for universities, and the effect was that a degree from a top tier university became within reach to students, regardless of their economic status.

Investment and expansion of tier one universities will:

- Generate a wider swath of well educated citizens*
 - Attract businesses and new emerging industries to the state*
 - Create quality jobs*
 - Yield high returns to the state in the form of tax revenue from business, economic development and community investment.*
 - Provide a workforce ready to meet the demands of the future*
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The expansion of higher education in California has yielded great returns to the state. Silicon Valley, biotechnology and pharmaceutical industries have grown throughout the state as a well-educated populace has achieved a first-class education and moved into the work force. Funding mechanisms for research programs at universities were set up, laying the groundwork for California's 10 tier one universities today. Texas should take similar measures to create tier one universities to serve the state's growing population and evolving industries that will need employees trained at top universities.

Examples of the economic development and the potential for job development that come with investments in higher education are readily available in Texas. Numerous technology firms and industries relocated to the Austin area to tap the human capital generated from the University of Texas at Austin. In 2003, during the same time a \$245 million cut was made from funding for higher education, \$250 million was placed into creating the Texas Enterprise Fund. Ostensibly, the fund's purpose is to provide cash incentives for businesses to relocate to Texas. However enticing a lump sum of cash may be for a business, the more appealing factor is a populace that is educated and skilled and can be put to work effectively. Investing in higher education yields a population of citizens, residing in the state, that can effectively serve in the 21st century workforce. It is akin to teaching a man to fish -- the value of human capital is worth far more to

a company over its lifetime than a cash bonus. Recent examples of Enterprise Fund companies failing to meet their targets reinforces the notion that the state's money can be better spent.

The total number of freshmen enrolled in California's 10 tier one universities in Fall 2007 was 67,488. The total number of freshmen enrolled in Texas' two tier one schools in fall 2007 was 15,370. The total number of freshmen enrolled at Texas Tech, UH, UNT, UTA, UTEP, and UTSA in Fall 2007 was 26,608. If the latter universities were tier one institutions then there would be 41,978 total slots in Texas available for students to attend a tier one university. The crowding and demand faced by UT-Austin and TAMU would dramatically decrease as the supply of tier one university slots increased by 173 percent.

Top tier university development in the state of Texas is clearly necessary to provide adequate supply to meet the demands of the growing population.

Preserve Top 10%

The President of the University of Texas at Austin, Bill Powers, recently wrote a letter to alumni stating that 81 percent of current admissions to the university come as a result of the Top 10 Percent admissions law. Of 29,626 applications for admission in 2008, 9,100 were from students in the top 10 percent of their graduating high school class. When the Top 10 Percent law was originally passed, about 41 percent of admitted students were enrolled as a result of the legislation.¹

More so than Texas A&M, admissions at UT Austin have slanted heavily in recent years to students in the top ten percent of their graduating class. As one of two tier one public universities in Texas, students with automatic admission to UT have flocked to Austin to attend a top tier university in a geographically central, urban area.

Instead of taking steps to curtail the number of student that are admitted to these two universities, the state of Texas should instead be taking steps to expand the number of top-tier universities.

The original legislative intent of the Top 10 Percent law has been proved. Because of a Supreme Court ruling in 1996, Texas was no longer allowed to use race as a factor in admissions. Adopted as a result in 1997, the Top 10 Percent rule provides students from across the state and across racial and ethnic and financial backgrounds the opportunity to attend a tier one institution of higher learning. Students admitted under the Top 10 Percent law receive better grades and graduate at higher rates². Racial and ethnic diversity at UT Austin has improved with Hispanic enrollment increasing by 29 percent and African American enrollment growing by 32 percent³.

President Bill Powers, along with various legislators, organizations and individuals, have called for the curtailment of this law, because it is estimated that in two years 100 percent of entering freshmen at UT-Austin will be top ten percent students. While their response is to simply do away with or severely curtail a law that has resulted in increased attendance of people of color at

¹ <http://www.kxii.com/home/headlines/17344094.html>

² <http://www.utexas.edu/student/admissions/research/HB588-Report10.pdf>

³ <http://www.chron.com/dispatch/story.mpl/headline/biz/5634400.html>

Texas' top universities, increased graduation rates and grades and increased geographical and income diversity, the core of the problem stems from a lack of priority on the part of the Legislature with regard to higher education. Simply preventing access to students in the top ten percent of their classes will do nothing to meet the demand for quality, top tier institutions of higher education in a state with a growing population. It will instead further contribute to the state's "brain drain," as top students leave Texas for out-of-state universities that have high rankings.

USA Today and other statewide and national media outlets have editorialized in favor of Top Ten Percent laws. California has had a statewide law providing automatic admission to tier one universities for students in the top 12.5 percent. This law has served California well for 48 years. The problem in Texas does not have to do with the law itself, it is the fact that there are not enough slots for excellence available. The high demand for excellence in education has to do with the lack of supply. If the state were to place a higher priority on higher education it would provide more supply, keeping the best and the brightest in Texas, reducing "brain drain", and drastically increasing the human capital that is needed for a more prosperous state.

Conclusion

The continued success of higher education in Texas is in peril – from skyrocketing tuition rates to overcrowded top-tier universities due to the Top 10 Percent law and the state's lack of Tier I public universities. If we wish to ensure Texas' intellectual and economic future, we must implement the four-pronged higher education strategy outlined in this policy brief:

1. Re-regulate and freeze public university tuition;
2. Invest in scholarships and grants;
3. Develop more Tier I universities for those graduating in the top ten percent to attend
4. Continue the Top 10 Percent law.

With a budget surplus expected during the 81st Legislative Session, the time to invest in our state's and our children's future is now.

Still to come is Part II of LSG analysis and recommendations which will include:

- The cost and income differential between four year colleges and community colleges;
- workforce needs and innovation for a more competitive Texas;
- student transition from community colleges to four year institutions;
- the demographics of Texas higher education.

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