

# *Speeding Down a Dead End Street*

*The Looming Crisis in Texas Financial Aid*

*A report from Senator Rodney Ellis*



*How Texas' dangerous pattern of raising standards, raising eligibility and raising cost while reducing direct student aid is widening the gap and crushing the hopes of Texas families.*

# Table of Contents

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<b>INTRODUCTION .....</b>	<b>3</b>
Introduction.....	4
<b>TEXAS GRANTS BY THE NUMBERS.....</b>	<b>6</b>
TEXAS Grants: Opening the Door to Opportunity.....	7
TEXAS Grants Awarded.....	9
TEXAS Grant Profiles.....	10
TEXAS Grants: Ethnic Breakdown.....	14
Where Does the Money Go? TEXAS Grant Funding by Senate District.....	16
<b>FROM BROKEN PROMISES TO PRESERVING HOPE .....</b>	<b>21</b>
Broken Promises.....	22
Preserving HOPE.....	23
<b>FINANCIAL AID SNAPSHOT.....</b>	<b>27</b>
Total Financial Aid Available for Texans .....	28
<b>TEXAS V. OTHER STATES .....</b>	<b>38</b>
How Does Texas Rate in Higher Education? .....	39
<b>AFFORDABILITY .....</b>	<b>43</b>
How Affordable is Higher Education in Texas? .....	44
<b>GRANTS NOT LOANS.....</b>	<b>51</b>
Grants, Not Loans .....	52
<b>GET IN &amp; GET OUT .....</b>	<b>59</b>
Comparison of Graduation Rates for TEXAS Grant and Non-TEXAS Grant Students .....	60
<b>MORE WORK WON'T WORK.....</b>	<b>63</b>
<b>READY, WILLING &amp; UNABLE.....</b>	<b>70</b>
How financial barriers obstruct bachelor-degree attainment in Texas* .....	71
<b>WHAT OTHERS ARE SAYING .....</b>	<b>80</b>

# Introduction



## ***The Looming Crisis***

*While our diverse, high tech economy relies on a highly-skilled, highly educated workforce, Texas ranks near the bottom in the nation at producing college graduates. Our state particularly lags behind our competitors in producing African American and Hispanic graduates. As we become a more heavily minority-majority state, the future literally depends on increasing college access and success for African American and Hispanic Texans.*

## ***Introduction***

"Texas is profiting from a diverse, vibrant and growing economy. Yet this prosperity could turn to crisis if steps are not taken quickly to ensure an educated population and workforce for the future...A large gap exists among racial/ethnic groups in both enrollment and graduation from the state's colleges and universities...If this gap is not closed, Texas will have increasingly fewer college students and college graduates."

*Closing the Gaps Report, 2000*

## **Looming Crisis**

Texas faces a looming crisis: while our diverse, high tech economy relies on a highly-skilled, highly educated workforce, Texas ranks near the bottom in the nation at producing college graduates. Our state particularly lags behind our competitors in producing African American and Hispanic graduates. As we become a more heavily minority-majority state, the future literally depends on increasing college access and success for African American and Hispanic Texans. Unfortunately, Texas' recent efforts to increase college participation continue to fall far short of what is necessary and, unless the state significantly increases investment in direct grant aid, more and more students and families will be priced out of a college education, further jeopardizing our social and economic future.

If our future depends on creating more college graduates, what is Texas doing about it? Sadly, not nearly enough and the clock is ticking.

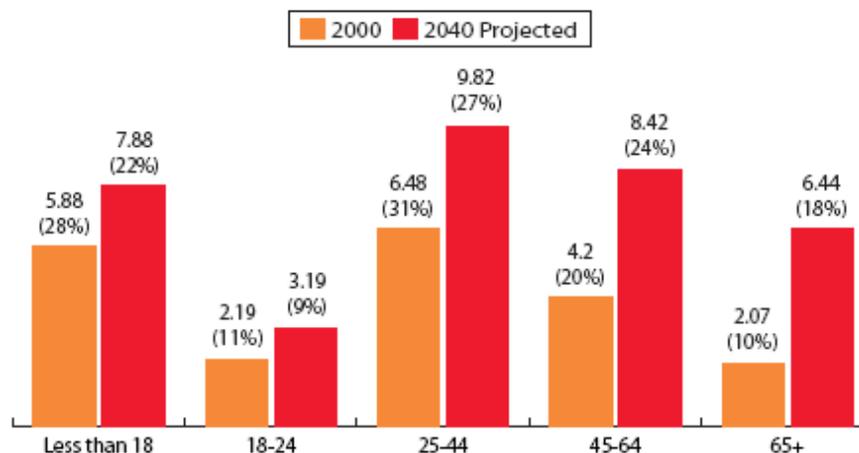
This report, utilizing predominantly Texas Higher Education Coordinating Board and Texas Guaranteed data, describes where Texas stands today, the challenges for the future, and charts a course for action to ensure Texas does not decline socially and economically in the 21st Century.

This report explores several key issues, including:

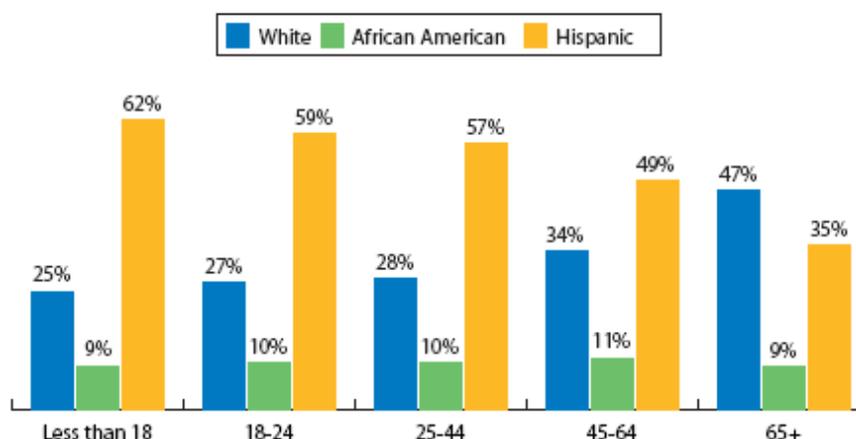
- *TEXAS Grants*: The program is working, yet may wither on the vine because of under-funding, expanded eligibility, tuition deregulation and more.
- *Texas' Economy & Future*: In a minority/majority state, what are the consequences for Texas' future when so few minorities are earning a college degree?
- *The Affordability Crisis*: Tuition deregulation and frozen grant funding have led to skyrocketing costs.
- *Grants Not Loans*: Even as more and more evidence shows that direct grant aid is the best way for states to help open the doors to college, Texas is going in the wrong direction.
- *Where Texas Ranks*: How does Texas compare to its competitors?
- *Increasing Standards, Decreasing Support*: Texas has repeatedly increased standards on Texas high school students, yet has decreased support for those students upon graduation.

# Texas' Future Dependent on the Education of its non-White Population

Population by Age in Millions and Percent of Total in Each Year: 2000 and 2040 (Projected\*)



Projected\* 2040 Population by Age and Ethnicity in Texas



By 2040\*, Texas will have about 2 million more children under age 18, and 1 million more adults ages 18 to 24 — the traditional college age population — than in 2000. The population ages 25 to 64 will grow by about 7.5 million, while the ranks of those age 65 and older will swell by more than 4 million. Despite the increase in the number of children and young adults, people age 24 and under will actually drop from 39 percent of the population to 31 percent, while people age 65 and older will increase from 10 percent to 18 percent. As Texas changes from a majority-Anglo to a majority-Hispanic state and experiences an increase in the percentage of the population which is elderly, a significant difference emerges with respect to population by age. In 2040\*, 62 percent of children, 59 percent of 18 to 24 year olds, and 57 percent of 25 to 44 year olds, will be Hispanic. By contrast, 47 percent of those 65 and older will be White. The African American population will remain relatively stable, at 9 percent to 11 percent of each age group. Increasingly, the future of Texas — including its economic prosperity as well as the expertise needed to run its business, government, and infrastructure — will depend on the education of its non-White populations, which historically have had lower incomes, higher rates of poverty, and less likelihood of attending and completing college than Whites.

\* Based on the .5 scenario, which assumes half the net migration into the state as was recorded from 1990 to 2000. The State Demographer

Source: Texas State Data Center and Office of the State Demographer, "New Texas State Data Center Population Projections from The University of Texas at San Antonio Point to a Texas Population that is Growing Rapidly, Increasingly Diverse and Aging", June 2004, Table 4 (<http://www.bsdc.utss.edu/tpcpp/2004projections/presskit/>).



# *TEXAS Grants by the Numbers*



*An overview of who has benefited from this successful, groundbreaking program.*

## ***TEXAS Grants: Opening the Door to Opportunity***

A well-educated workforce is the fuel that drives the 21st Century economy. To ensure Texas produces enough college graduates for the new economy, the legislature in 1999 created the TEXAS Grant program, which pays for tuition and fees at a Texas college or university for qualified students. In just seven years, the TEXAS Grant program has become the largest and most successful financial aid program in state history, and arguably the most successful state program overall.

- Over 161,000 young Texans students have received 327,000 grants totaling \$832 million to go to college and start laying the foundation for their own American dream.
- Over 151,000 grants have been awarded to Hispanic students, 46 percent of all grants.
- Over 45,000 grants have been awarded to African American students, 13 percent of all grants.

The number of students who could benefit from TEXAS Grants depends on the level of commitment of the Texas Legislature.

- Fully-funding TEXAS Grants at \$936 million would help 188,944 students go to college.
- Funding TEXAS Grants at \$331 million would help 67,388 students go to college.

Texas lags behind in producing the number of college graduates necessary to fill the jobs of the new economy. Texas is even further behind in producing Hispanic and African American college graduates. The TEXAS Grant program is narrowing the gap and providing young Hispanic and African American students with a real foundation for the future.

### **About TEXAS Grants**

TEXAS (Toward Excellence, Access & Success) Grants pays for tuition and fees at a TEXAS college or university for qualified students. A qualified student must:

- be a Texas resident;
- show financial need;
- graduate from an accredited Texas public or private high school;
- complete the Advanced or Recommended high school curriculum;
- maintain a 2.5 GPA in college.

For more information on TEXAS Grants, go to [www.collegefortexans.com](http://www.collegefortexans.com) or call 888-311-8881.

Figure 11: Impact of Constant-Level Funding on TEXAS Grant Recipient Pool, Projections FY 2006-2010 <sup>21</sup>

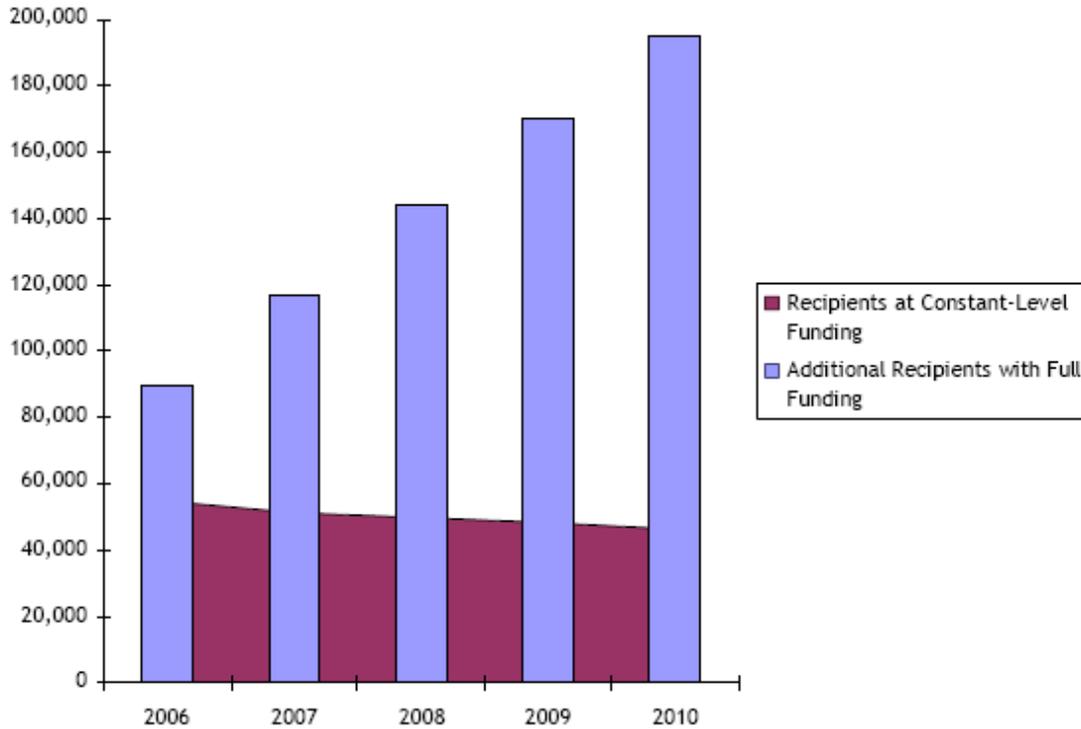


Figure 11 shows that although the number of students *eligible* for TEXAS Grants is projected to grow by more than 105,000 students by 2010, the actual number of *recipients* is expected to go down if funding is held constant. Rising costs and inflation will reduce the buying power of the grant funds, causing the number of recipients to drop by more than 6,000 if funding is not increased.

Figure 12 demonstrates that with full funding, the TEXAS Grant Program could help Texas meet the goals set out in *Closing the Gaps* by providing assistance to approximately 149,000 more students in 2010.

Fiscal Year	Full Funding (in Millions)	Constant Funding (in Millions)	Shortfall (in Millions)	Students Not Served
2006	\$271.4	\$166.2	\$105.2	34,606
2007	\$382.3	\$165.6	\$216.8	65,879
2008	\$494.2	\$166.2	\$328.1	93,980
2009	\$621.9	\$165.6	\$456.3	121,969
2010	\$754.6	\$166.2	\$588.4	148,984

<sup>21</sup> THECB June 2006. Projections for 2006 and beyond are based on serving all students with financial need.

## ***TEXAS Grants Awarded***

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### **TEXAS Grants by Year 2000 - 2006**

<b>Year</b>	<b>Total Students</b>	<b>Total Funding</b>
FY 2000	10,865	\$19,761,787
FY 2001	17,395	\$34,694,193
FY 2002	45,722	\$101,953,933
FY 2003	68,555	\$164,551,254
FY 2004	64,108	\$157,326,081
FY 2005	60,130	\$167,713,685
FY 2006	61,057	\$186,182,180
<b>TOTAL</b>	<b>327,832</b>	<b>\$832,183,113</b>

### **Total TEXAS Grant Students by Year**

<b>Year</b>	<b>Number</b>
2000	10,912
2001	11,031
2002	33,934
2003	38,793
2004	21,898
2005	21,661
2006	22,936*
<b>TOTAL</b>	<b>161,165</b>

\* not yet certified

# TEXAS Grant Profiles

**Cumulative Grants 2000-2006** (Source of all charts this section: Higher Education Coordinating Board)

Income Level	# of Students	Funding	% of Students	% of Funding
< \$10,000	47,428	\$113,455,425	14.46%	13.63%
\$10,000 - \$20,000	58,441	\$141,597,994	17.82%	17.01%
\$20,000 - \$30,000	72,119	\$179,913,388	21.99%	21.61%
\$30,000 - \$40,000	56,411	\$145,480,115	17.20%	17.48%
\$40,000 - \$50,000	38,651	\$102,273,812	11.78%	12.28%
\$50,000 - \$60,000	24,063	\$65,240,558	7.34%	7.83%
> \$60,000	30,719	\$84,221,821	9.37%	10.12%
<b>TOTAL</b>	<b>327,832</b>	<b>\$832,183,113</b>	-	-

## Income Under \$10,000

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	1,902	\$3,347,553	17.05%	16.93%
FY 2001	2,677	\$5,108,945	15.38%	14.72%
FY 2002	6,777	\$14,345,445	14.82%	14.07%
FY 2003	11,547	\$27,441,652	16.84%	16.67%
FY 2004	8,184	\$18,415,188	12.76%	11.70%
FY 2005	8,029	\$21,066,440	13.35%	12.56%
FY 2006	8,312	\$23,730,202	13.61%	12.74%
<b>TOTAL</b>	<b>47,428</b>	<b>\$113,445,425</b>	-	-

## Income \$10,000-\$20,000

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	2,503	\$4,565,372	23.03%	23.10%
FY 2001	3,862	\$7,523,732	22.20%	21.68%
FY 2002	8,363	\$18,029,601	18.29%	17.68%
FY 2003	10,769	\$24,957,959	15.70%	15.16%
FY 2004	10,388	\$24,083,149	16.20%	15.30%
FY 2005	10,965	\$28,975,264	18.23%	17.27%
FY 2006	11,591	\$33,462,917	18.98%	17.97%
<b>TOTAL</b>	<b>58,441</b>	<b>\$141,597,994</b>	-	-

### Income \$20,000 - \$30,000

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	2,695	\$4,896,015	24.80%	24.77%
FY 2001	4,541	\$9,062,077	26.10%	26.11%
FY 2002	9,695	\$21,618,077	21.20%	21.20%
FY 2003	13,329	\$31,437,941	19.44%	19.11%
FY 2004	13,243	\$31,533,487	20.65%	20.04%
FY 2005	13,916	\$37,774,774	23.14%	22.52%
FY 2006	14,700	\$43,591,017	24.45%	23.41%
<b>TOTAL</b>	<b>72,199</b>	<b>\$179,913,388</b>	<b>-</b>	<b>-</b>

### Income \$30,000 - \$40,000

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	1,861	\$3,432,695	17.13%	17.37%
FY 2001	3,165	\$6,365,839	18.19%	18.35%
FY 2002	7,445	\$16,886,541	16.28%	16.56%
FY 2003	10,602	\$25,441,303	15.46%	15.46%
FY 2004	11,088	\$27,471,235	17.30%	17.46%
FY 2005	10,728	\$30,113,077	17.84%	17.96%
FY 2006	11,522	\$35,769,425	18.87%	19.21%
<b>TOTAL</b>	<b>56,411</b>	<b>\$145,480,115</b>	<b>-</b>	<b>-</b>

### Income \$40,000 - \$50,000

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	1,153	\$2,153,606	10.61%	10.90%
FY 2001	1,910	\$3,963,564	10.98%	11.42%
FY 2002	5,612	\$12,829,332	12.27%	12.58%
FY 2003	8,294	\$20,468,003	12.10%	12.44%
FY 2004	8,017	\$20,721,993	13.33%	13.01%
FY 2005	6,854	\$20,087,021	11.23%	12.36%
FY 2006	6,811	\$22,050,293	11.23%	10.79%
<b>TOTAL</b>	<b>38,651</b>	<b>\$102,273,812</b>	<b>-</b>	<b>-</b>

### Income \$50,000 - \$60,000

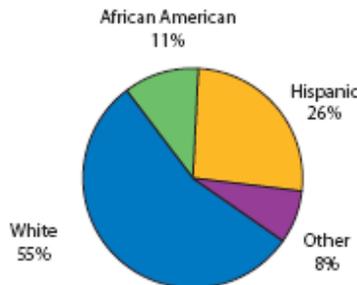
Year	# of Students	Funding	% of Students	% of Funding
FY 2000	502	\$916,312	4.62%	4.64%
FY 2001	804	\$1,702,911	4.62%	4.91%
FY 2002	3,755	\$8,768,842	8.21%	8.60%
FY 2003	5,814	\$14,590,775	8.48%	8.82%
FY 2004	5,474	\$14,376,761	8.54%	9.14%
FY 2005	4,053	\$12,429,693	6.74%	7.41%
FT 2006	3,661	\$12,455,264	6.00%	6.69%
<b>TOTAL</b>	<b>24,063</b>	<b>\$65,240,558</b>	-	-

### \$60,000 +

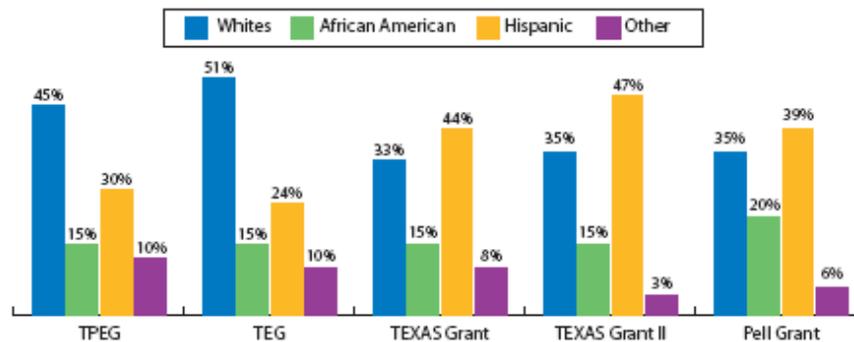
Year	# of Students	Funding	% of Students	% of Funding
FY 2000	249	\$450,234	2.29%	2.28%
FY 2001	436	\$967,125	2.51%	2.79%
FY 2002	4,075	\$9,476,095	8.91%	9.29%
FY 2003	8,200	\$20,213,621	11.96%	12.28%
FY 2004	7,714	\$20,724,268	12.03%	13.17%
FY 2005	5,585	\$17,267,416	9.29%	10.30%
FY 2006	4,460	\$15,123,062	7.30%	8.12%
<b>TOTAL</b>	<b>30,719</b>	<b>\$84,221,821</b>		

# Grant Recipients in Texas are Ethnically Diverse

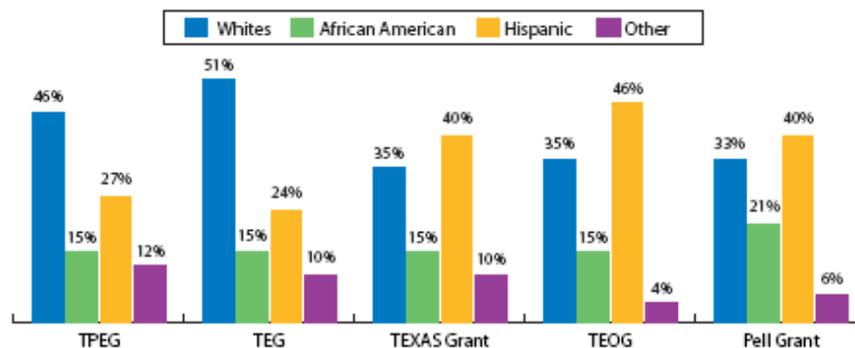
Enrollment by Ethnicity (Fall 2003)



Grant Recipients by Ethnicity (Award Year 2003-2004)



Award Amount by Ethnicity (Award Year 2003-2004)



Allocation of grant aid in Texas reflects the ethnic diversity of the state. Fifty-nine percent of Pell Grant and TEXAS Grant recipients, and 62 percent of TEOG (formerly TEXAS Grant II) recipients, are either Hispanic or African American. Percentages for the Tuition Equalization Grant (TEG) and Texas Public Educational Grant (TPEG) are somewhat less — 39 percent and 45 percent, respectively. There appears to be little difference in ethnic breakdown of recipients in comparison to the amount awarded.

Source: Enrollment by ethnicity: Texas Higher Education Coordinating Board (THECB) "2003 Fall Headcount Enrollment," Austin, Texas; (Unpublished tables); All other: THECB "Financial Aid Database for AY 2003-2004," Austin, Texas; 2005. (Unpublished tables).



## TEXAS Grants: Ethnic Breakdown

### African American *(Source of all charts this section: Higher Education Coordinating Board)*

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	1,403	\$2,748,126	12.91%	13.91%
FY 2001	2,107	\$4,664,076	12.11%	13.44%
FY 2002	6,141	\$14,952,742	13.43%	14.67%
FY 2003	9,538	\$24,664,546	13.91%	14.99%
FY 2004	9,462	\$24,337,698	14.76%	15.47%
FY 2005	8,205	\$24,543,338	13.65%	14.63%
FY 2006	8,607	\$28,193,489	13.61%	12.75%
Total	45,463	\$124,104,015	13.87%	14.91%

### Hispanic

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	5,127	\$8,884,941	47.19%	44.96%
FY 2001	8,407	\$15,560,880	48.33%	44.85%
FY 2002	21,033	\$44,969,146	46.00%	44.11%
FY 2003	30,632	\$69,630,548	44.68%	42.32%
FY 2004	28,001	\$63,608,861	43.68%	40.43%
FY 2005	27,928	\$71,819,595	46.45%	42.82%
FY 2006	30,259	\$85,256,435	49.56%	45.79%
Total	151,387	\$359,730,406	46.18%	43.23%

### Anglo

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	3,527	\$6,502,551	32.46%	32.90%
FY 2001	5,355	\$10,981,742	30.78%	31.65%
FY 2002	15,067	\$33,587,163	32.95%	32.94%
FY 2003	23,032	\$56,272,812	33.60%	34.20%
FY 2004	21,140	\$54,401,461	32.98%	34.58%
FY 2005	18,605	\$54,570,291	30.94%	32.54%
FY 2006	17,074	\$54,612,409	27.96%	29.33%
Total	103,800	\$270,928,429	31.66%	32.56%

## Asian

Year	# of Students	Funding	% of Students	% of Funding
FY 2000	562	\$1,210,970	5.17%	6.13%
FY 2001	1,139	\$2,631,773	6.55%	7.59%
FY 2002	2,779	\$6,812,184	6.08%	6.68%
FY 2003	4,316	\$11,534,275	6.30%	7.01%
FY 2004	4,435	\$12,346,224	6.92%	7.85%
FY 2005	4,368	\$13,783,552	7.26%	8.22%
FY 2006	4,198	\$15,074,840	6.88%	8.10%
Total	21,797	\$63,393,818	6.65%	7.62%

## Where Does the Money Go? TEXAS Grant Funding by Senate District

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### Cumulative Dollars By Senator

Senate District	Senator	TEXAS Grant Funding (FY 03 - FY 06)	Ranking
SD 27	Lucio	\$67,642,076	1
SD 29	Shapleigh	\$40,330,966	2
SD 21	Zaffirini	\$39,303,451	3
SD 17	Janek	\$29,076,584	4
SD 26	Van de Putte	\$28,695,318	5
SD 15	Whitmire	\$28,107,669	6
SD 20	Hinojosa	\$26,902,526	7
SD 28	Duncan	\$25,725,497	8
SD 18	Hegar	\$25,649,848	9
SD 25	Wentworth	\$24,366,757	10
SD 30	Estes	\$24,016,229	11
SD 23	West	\$23,224,621	12
SD 24	Fraser	\$21,574,228	13
SD 13	Ellis	\$16,761,828	14
SD 3	Nichols	\$15,923,365	15
SD 19	Uresti	\$15,688,643	16
SD 31	Seliger	\$15,556,199	17
SD 12	Nelson	\$14,817,725	18
SD 5	Ogden	\$13,976,783	19
SD 22	Averitt	\$13,733,360	20
SD 14	Watson	\$13,439,402	21
SD 1	Eltife	\$13,031,753	22
SD 10	Brimer	\$12,644,484	23
SD 4	Williams	\$12,586,716	24
SD 11	Jackson	\$11,725,412	25
SD 2	Deuell	\$10,412,481	26
SD 16	Carona	\$9,343,896	27
SD 9	Harris	\$6,827,038	28
SD 7	Patrick	\$5,558,290	29
SD 8	Shapiro	\$4,863,888	30
SD 6	Gallegos	\$3,964,211	31

(Source: Texas Higher Education Coordinating Board)

## Cumulative Dollars By Senate District

Senate District	Senator	TEXAS Grant Funding (FY 03 - FY 06)
SD 1	Eltife	\$13,031,753
SD 2	Deuell	\$10,412,481
SD 3	Nicholls	\$15,923,365
SD 4	Williams	\$12,586,716
SD 5	Ogden	\$13,976,783
SD 6	Gallegos	\$3,964,211
SD 7	Patrick	\$5,558,290
SD 8	Shapiro	\$4,863,888
SD 9	Harris	\$6,827,038
SD 10	Brimer	\$12,644,484
SD 11	Jackson	\$11,725,412
SD 12	Nelson	\$14,817,725
SD 13	Ellis	\$16,761,828
SD 14	Watson	\$13,439,402
SD 15	Whitmire	\$28,107,669
SD 16	Carona	\$9,343,896
SD 17	Janek	\$29,076,584
SD 18	Hegar	\$25,649,848
SD 19	Uresti	\$15,688,643
SD 20	Hinojosa	\$26,902,526
SD 21	Zaffirini	\$39,303,451
SD 22	Averitt	\$13,733,360
SD 23	West	\$23,224,621
SD 24	Fraser	\$21,574,228
SD 25	Wentworth	\$24,366,757
SD 26	Van de Putte	\$28,695,318
SD 27	Lucio	\$67,642,076
SD 28	Duncan	\$25,725,497
SD 29	Shapleigh	\$40,330,966
SD 30	Estes	\$24,016,229
SD 31	Seliger	\$15,556,199

(Source: Texas Higher Education Coordinating Board)

## By Number of TEXAS Grants Awarded (FY 2006)

Senator	TEXAS Grants	Texas Grant Funding
Lucio	6,343	\$18,245,513
Zaffirini	3,780	\$9,026,600
Shapleigh	2,927	\$11,254,750
Van de Putte	2,913	\$7,403,639
Hinojosa	2,261	\$6,286,858
Duncan	1,976	\$6,099,683
Janek	1,691	\$5,941,910
Whitmire	1,646	\$5,716,632
Hegar	1,624	\$5,255,248
Wentworth	1,618	\$5,150,925
West	1,571	\$4,935,899
Uresti	1,447	\$3,610,042
Fraser	1,316	\$4,126,112
Estes	1,290	\$3,773,640
Seliger	1,287	\$3,232,196
Nichols	1,147	\$3,193,403
Eltife	1,126	\$2,495,804
Averitt	1,104	\$2,598,835
Ellis	1,008	\$3,767,456
Brimer	854	\$2,566,704
Nelson	848	\$2,484,101
Watson	789	\$2,490,727
Deuell	739	\$2,109,758
Jackson	616	\$2,211,490
Carona	601	\$1,842,682
Williams	591	\$2,090,367
Ogden	491	\$1,350,682
Patrick	364	\$1,269,995
Harris	332	\$1,091,057
Shapiro	288	\$989,389
Gallegos	201	\$767,826

(Source: Texas Higher Education Coordinating Board)

## By TEXAS Grant Funding (FY 2006)

Senator	TEXAS Grant Funding	TEXAS Grants
Lucio	\$18,245,513	6,343
Shapleigh	\$11,254,750	2,927
Zaffirini	\$9,026,600	3,780
Van de Putte	\$7,403,639	2,913
Hinojosa	\$6,286,858	2,261
Duncan	\$6,099,683	1,976
Janek	\$5,941,910	1,691
Whitmire	\$5,716,632	1,646
Hegar	\$5,255,248	1,624
Wentworth	\$5,150,925	1,618
West	\$4,935,899	1,571
Fraser	\$4,126,112	1,316
Estes	\$3,773,640	1,290
Ellis	\$3,767,456	1,008
Uresti	\$3,610,042	1,447
Seliger	\$3,232,196	1,287
Nichols	\$3,193,403	1,147
Averitt	\$2,598,835	1,104
Brimer	\$2,566,704	854
Eltife	\$2,495,804	1,126
Watson	\$2,490,727	789
Nelson	\$2,484,101	848
Jackson	\$2,211,490	616
Deuell	\$2,109,758	739
Williams	\$2,090,367	591
Carona	\$1,842,682	601
Ogden	\$1,350,682	491
Patrick	\$1,269,995	364
Harris	\$1,091,057	332
Shapiro	\$989,389	288
Gallegos	\$767,826	201

(Source: Texas Higher Education Coordinating Board)

## By Senator (FY 2006)

Senator	TEXAS Grant Funding	TEXAS Grants
Averitt	\$2,598,835	1,104
Brimer	\$2,566,704	854
Carona	\$1,842,682	601
Deuell	\$2,109,758	739
Duncan	\$6,099,683	1,976
Ellis	\$3,767,456	1,008
Eltife	\$2,495,804	1,126
Estes	\$3,773,640	1,290
Fraser	\$4,126,112	1,316
Gallegos	\$767,826	201
Harris	\$1,091,057	332
Hegar	\$5,255,248	1,624
Hinojosa	\$6,286,858	2,261
Jackson	\$2,211,490	616
Janek	\$5,941,910	1,691
Lucio	\$18,245,513	6,343
Nelson	\$2,484,101	848
Nichols	\$3,193,403	1,147
Ogden	\$1,350,682	491
Patrick	\$1,269,995	364
Seliger	\$3,232,196	1,287
Shapiro	\$989,389	288
Shapleigh	\$11,254,750	2,927
Uresti	\$3,610,042	1,447
Van de Putte	\$7,403,639	2,913
Watson	\$2,490,727	789
Wentworth	\$5,150,925	1,618
West	\$4,935,899	1,571
Whitmire	\$5,716,632	1,646
Williams	\$2,090,367	591
Zaffirini	\$9,026,600	3,780

(Source: Texas Higher Education Coordinating Board)

# From Broken Promises to Preserving Hope



*Tuition deregulation, stagnant funding and rising eligibility threaten to destroy the successful TEXAS Grant Program.*

*What the legislature can do to ensure a successful future.*

# Broken Promises

## Tuition Deregulation + Frozen Budget = Locked Doors

The combined impact of tuition deregulation and frozen budgets have decimated the TEXAS Grants program. Thanks to tuition deregulation, **tuition has increased statewide by 61 percent and by as much as 102 percent at the University of Texas at Austin.** Over that same period (Fall 2002- present), the cost of a gallon of gas has gone up by only 38 percent, and while gas prices are falling, tuition prices continue to rise.

The effects were immediate. In FY 2003, the last year before tuition deregulation, 38,793 new students received a TEXAS Grant to go to college; one year later, that number plummeted to 21,898. Overall, 66,000 students lost their chance to go to college thanks to the tuition deregulation and the 2004-05 budget freeze.

### What If?

What if the Texas Legislature had never approved tuition deregulation? What if the legislature had not frozen funding for TEXAS Grants? How many more TEXAS Grants would have been awarded to help students and their families open the door to college had we not also froze funding for the program? New data gives us a better understanding of just how many students were left behind by the pernicious effects of the 2004-05 biennial budget and the soaring costs of tuition deregulation.

According to the Texas Higher Education Board, had Texas a) not instituted tuition deregulation and b) simply continued to fund TEXAS Grants at the FY 2002-03 level while factoring for inflation and enrollment growth, an additional **519,099** TEXAS Grants would have been given to qualified students to pay for college. (Cost = \$1.742 billion)

Fiscal Year	# of Grants	Projected Costs
FY 03	68,555	\$164,551,254
FY 04	70,422	\$183,831,326
FY 05	72,290	\$211,778,695
FY 06	74,157	\$248,717,370
FY 07	76,024	\$289,675,331
FY 08	77,892	\$310,628,170
FY 09	79,759	\$332,926,796
<b>TOTAL</b>	<b>519,099</b>	<b>\$1,742,108,942</b>

(Source: Texas Higher Education Board)

### Call to Action

The effects of tuition deregulation and frozen funding have been unacceptable, and now is the time to do something about it. **By dedicating a little more than \$1 billion of the budget surplus, we can keep our promise and open the doors to college to tens of thousands of hard-working Texas students. We're never going to have this chance again.**

## ***Preserving HOPE***

Today, it is simply impossible to overstate the importance of a college education; college graduates are literally the engine powering the 21st century economy. Unfortunately, Texas is doing a poor job of expanding access to college...and is in danger of falling further behind states with which we compete for new jobs. In fact, if Texas does not significantly increase investment in college aid, particularly TEXAS Grants, nearly 150,000 hard-working, eligible students will be left behind.

Texas faces a looming crisis: while our diverse, high tech economy relies on a highly-skilled, highly educated workforce, Texas ranks near the bottom in the nation at producing college graduates. Our state particularly lags behind our competitors in producing African American and Hispanic graduates. As we become a more heavily minority-majority state, the future literally depends on increasing college access and success for African American and Hispanic Texans. Unfortunately, Texas' recent efforts to increase college participation continue to fall far short of what is necessary and, unless the state significantly increases investment in direct grant aid, more and more students and families will be priced out of a college education, further jeopardizing our social and economic future.

If our future depends on creating more college graduates, what is Texas doing about it? Sadly, not nearly enough, and the clock is ticking.

### **TEXAS Grants is Working**

To open the doors to college to more young Texans, in 1999 the legislature created the TEXAS Grant program. TEXAS Grants provide tuition and fees to students who have taken the *Advanced* or *Recommended* curriculum in high school. By every account, the program has been a runaway success.

In 2000, the first year of the program, nearly 11,000 students had received a TEXAS Grant to pay for college; by 2006, **161,000 students had received 327,000 TEXAS Grants to help achieve the dream of college.** The program has been the key to increasing minority college participation to meet the goals of the *Closing the Gaps* initiative. **Nearly 60 percent of students receiving TEXAS Grants are African American and Hispanic, making the program one of the best instruments to close the gap in minority enrollment and graduation.**

Unfortunately, that success will be short-lived and TEXAS Grants will wither on the vine unless Texas takes dramatic steps today.

### **Rising Tuition Costs, Growing Funding Gap Imperils Program**

Though funding for TEXAS Grants has increased from \$100 million over the 2000/01 biennium, to \$334 million for the 2006-2007 biennium, availability has recently failed to keep up with demand. Frozen funding and rising tuition costs as a result of tuition deregulation forced over 70,000 students to lose their TEXAS Grant in just the last two years and, if nothing is done today, the number of eligible students left behind will soon explode.

In 1999, the number of students taking the *Advanced* or *Recommended* curriculum was very limited. In Fall 2004, however, the *Recommended* curriculum became the standard coursework

for Texas high school students, which means, by 2009, the vast majority of graduating seniors will be eligible for a TEXAS Grant. Without a significant funding increase, TEXAS Grants will become an empty promise to young Texans.

According to the Texas Higher Education Coordinating Board, the gap between students eligible and students served will more than double between 2006 and 2010 from 90,000 to 200,000. Unfortunately, the number of students served by the program will actually DECREASE, by 6,000, to 49,000 students. **If the current funding pattern continues, 3/4 of the students eligible for the TEXAS Grants program will go un-served.** That figure does not even take into account tuition deregulation, which further erodes the buying power of each TEXAS Grant.

Figure 11: Impact of Constant-Level Funding on TEXAS Grant Recipient Pool, Projections FY 2006-2010 <sup>21</sup>

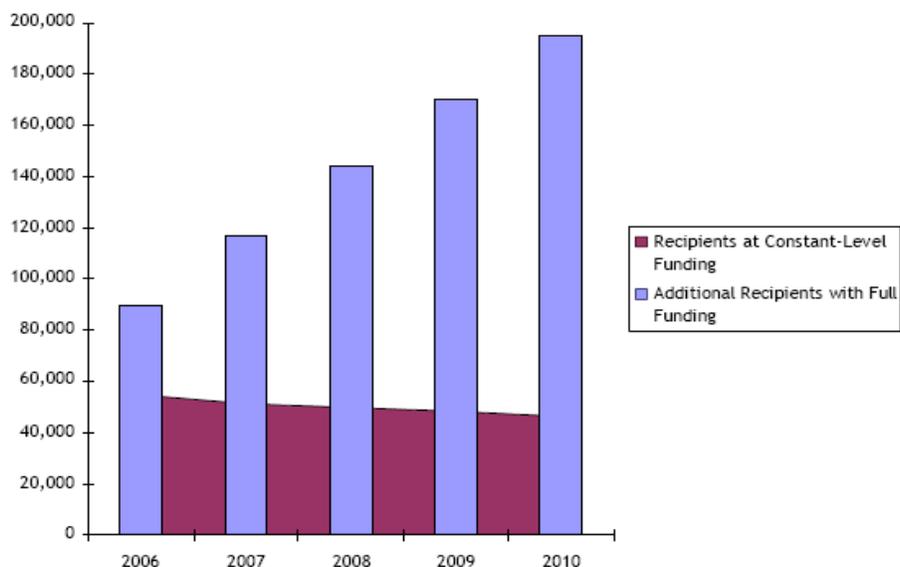


Figure 11 shows that although the number of students *eligible* for TEXAS Grants is projected to grow by more than 105,000 students by 2010, the actual number of *recipients* is expected to go down if funding is held constant. Rising costs and inflation will reduce the buying power of the grant funds, causing the number of recipients to drop by more than 6,000 if funding is not increased.

Figure 12 demonstrates that with full funding, the TEXAS Grant Program could help Texas meet the goals set out in *Closing the Gaps* by providing assistance to approximately 149,000 more students in 2010.

Fiscal Year	Full Funding (in Millions)	Constant Funding (in Millions)	Shortfall (in Millions)	Students Not Served
2006	\$271.4	\$166.2	\$105.2	34,606
2007	\$382.3	\$165.6	\$216.8	65,879
2008	\$494.2	\$166.2	\$328.1	93,980
2009	\$621.9	\$165.6	\$456.3	121,969
2010	\$754.6	\$166.2	\$588.4	148,984

<sup>21</sup> THECB June 2006. Projections for 2006 and beyond are based on serving all students with financial need.

## **Perry Plan Will Close the Door to College, Widen the Gap**

Governor Perry's financial aid plan will decimate the TEXAS Grant program, close the door to college for thousands of Texas students, and widen the access/achievement gap. The Perry Plan consolidates the three largest state aid programs, reduces their overall funding, turns them into loans, then penalizes students who do not graduate in five years and with exceptional grades.

Under Perry's plan, TEXAS Grants, Tuition Equalization Grants and Texas Educational Opportunity Grants are combined into one new program -- the Tuition Assistance Grant. The new T.A.G. reduces grant funding from \$522 million to \$353 million, a *32 percent cut* in grant aid. Then, the Perry Plan turns all state financial aid into loans, a very dangerous prospect if Texas wants to close the gaps in minority college participation. That's because virtually every reputable study shows low-income and minority students -- the very students Texas needs to remain competitive in the future -- to be extremely loan averse. These students, with fewer personal resources and less access to other private sources of aid, are far more likely to enter the workforce rather than take on further debt in order to go to college. Furthermore, these students are far more likely to be forced to work -- sometimes more than one job -- in order to pay for college, making mandatory a 3.0 grade point average eligibility requirement almost punitive. Time and again, it has been proven that direct grant aid is the key to getting these students into college and on the path to graduation.

Texas faces far too many higher education challenges to enact a plan which would cost too much and does to little for the majority of Texans looking to go to college.

## **Falling Further Behind**

Texas is already well behind other states in producing college graduates, particularly African American and Hispanic graduates. In fact, Texas lags in the number of students even enrolling in college. Dwindling grant aid and rising tuition continue to worsen the problem. The numbers speak for themselves:

- Texas ranks 41st in the nation in the rate of college enrollment;
- Texas ranks 34th in the percentage with a bachelor's degree or higher, behind states such as California, Colorado, Florida, Georgia, New York, Illinois, Pennsylvania, Ohio, Washington, Missouri and South Carolina;
- Only 26 percent of Texans aged 25-65 have a bachelor's degree or higher;
- Only 13 percent of Hispanic Texans have an Associate's Degree or higher;
- Texas spends, on average, \$180 million less on direct grant aid than the other five largest states, California, New York, Florida, Illinois and Pennsylvania;

Unless Texas significantly increases its direct grant aid to students, our state will fall further behind our competitors in producing the graduates needed to fuel the 21st century economy.

## **Action**

To ensure Texas keeps its promise to provide access to college to a generation of students, we must protect and expand the TEXAS Grants program. The Senate must:

- defeat the Perry Grant consolidation/loan initiative;
- increase funding to \$936 million for the 2008/09 biennium to provide a TEXAS Grant to every eligible student (188,000 students)

## About TEXAS Grants

TEXAS (Toward Excellence, Access & Success) Grants pays for tuition and fees at a TEXAS college or university for qualified students. A qualified student must:

- be a Texas resident;
- show financial need;
- graduate from an accredited Texas public or private high school
- complete the Advanced or Recommended high school curriculum;
- maintain a 2.5 GPA in college.

For more information on TEXAS Grants, go to [www.collegefortexans.com](http://www.collegefortexans.com) or call 888-311-8881.

# Financial Aid Snapshot



*Texas' reliance on federal aid and costly loans poorly serves current students and jeopardizes the future*

## Total Financial Aid Available for Texans

### Falling Behind: State Financial Aid Comparison

In 2005, Texas provided \$140 million less in state financial aid than the other five biggest states in the nation.

In 2007, Texas now provides \$186.1 million less.

State	Population Rank	Population	State Financial Aid
California	1st	36,132,147	\$723.5 million
Texas	2nd	22,859,968	\$361.6 million
New York	3rd	19,254,630	\$910.5 million
Florida	4th	17,789,864	\$372.3 million
Illinois	5th	12,763,371	\$370.6 million
Pennsylvania	6th	12,429,616	\$365.8 million
Average	<b>Top 5 other than Texas</b>		<b>\$547.7 million</b>

(Source: 36th Annual Survey Report, National Association of Student Grant and Aid Programs)

### Texas v. Georgia

Georgia, a state 1/3 the size of Texas spends nearly \$100 **million more** in direct state financial aid. The TEXAS Grant program is modeled after Georgia's HOPE Scholarship program.

Texas	2nd	22,859,968	\$361.6 million
Georgia	9th	9,072,576	\$459.0 million

(Source: 36th Annual Survey Report, National Association of Student Grant and Aid Programs)

### Fast Facts on Financial Aid

- Overall, through loans and grants, there is **\$5.792 billion** in state and federal financial aid **available to Texans each year**.
- \$4.73 billion, or 81.7 percent of all financial aid available to Texans, is federal.
- The **state of Texas provides 5.6 percent**, or \$322.6 million, of all financial aid to Texas students.
- \$480.6 million a year in financial aid is available, provided mainly by universities and colleges.

## Financial Aid Overview

### 2004-2005 Student Financial Aid in Texas

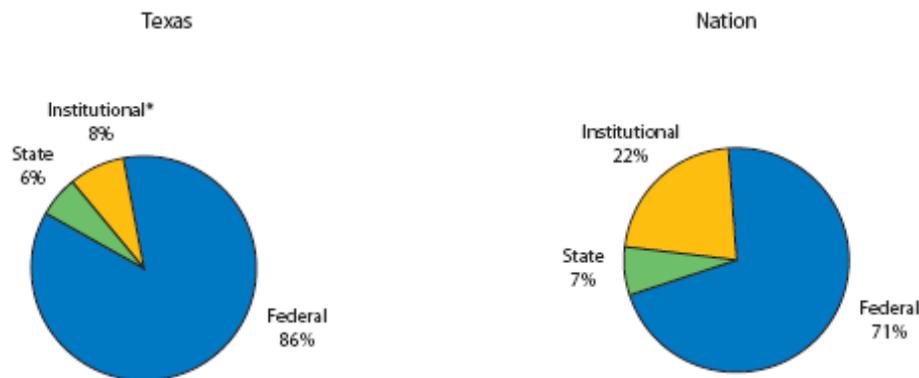
<b>Federal Financial Aid Total</b>	<b>\$4.73 billion</b>
Federal Grants	\$1.098 billion
Federal Loans	\$3.583 billion
Federal Work-Study	\$51.8 million
<b>Percentage Federal</b>	<b>81.7%</b>
<b>State Financial Aid Total</b>	<b>\$322.6 million</b>
State Grants	\$260.2 million
State Scholarships	\$2.9 million
State Loans	\$53.2 million
State Work-Study	\$6.3 million
<b>Percentage State</b>	<b>5.6%</b>
<b>Institutional Aid Total</b>	<b>\$480.6 million</b>
TPEG	\$112.1 million
Private Institutional Aid	\$368.5 million
<b>Percentage Institutional</b>	<b>8.3%</b>
<b>Waivers/Exemptions</b>	<b>\$258.8 million</b>
<b>Percentage Waivers/Exemptions</b>	<b>4.5%</b>
<b>Total</b>	<b>\$5.792 billion</b>
<b>Percentage Total</b>	<b>100%</b>

#### Sources:

- Federal Aid: Department of Education, Office of Postsecondary Education (*Note: combined FFELP and DL federal loans source was marketshare data sent to TG from the Department of Education*)  
<http://www.ed.gov/finaid/prof/resources/data/ope.html>
- All Other Aid: 2004-2005 Bentson Report from the Texas Higher Education Coordinating Board

# Texas is Highly Dependent on the Federal Government for Student Aid

Direct Student Aid by Source for Award Year 2003-2004\*



College students receive financial aid from three major sources: the federal government, the state government, and the colleges and universities they attend. Of these three, the federal government's contribution is primary. Nationally, the federal government provided 71 percent of the generally available direct financial aid\* for undergraduate and graduate students in Award Year 2003-2004. In Texas, the federal government's role is much larger, accounting for 86 percent of aid, an increase from 83 percent a year earlier.

Texas' state government provided 6 percent of generally available aid\*\* in 2003-2004, a decrease from 7 percent in AY 2002-2003. Nationally, state governments provided 7 percent of aid.

Texas colleges and universities, through institutional grants\*\*\*, provided a much smaller percentage of financial aid than colleges in other states. Texas institutions provided 8 percent of aid versus 22 percent for colleges nationally.

\* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in graphs is for Award Year 2003-2004 with the exception of private institutional grant aid in Texas, which is for Award Year 2002-2003. Data on private institutional grant aid in Texas for Award Year 2003-2004 are not available.

\*\*The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

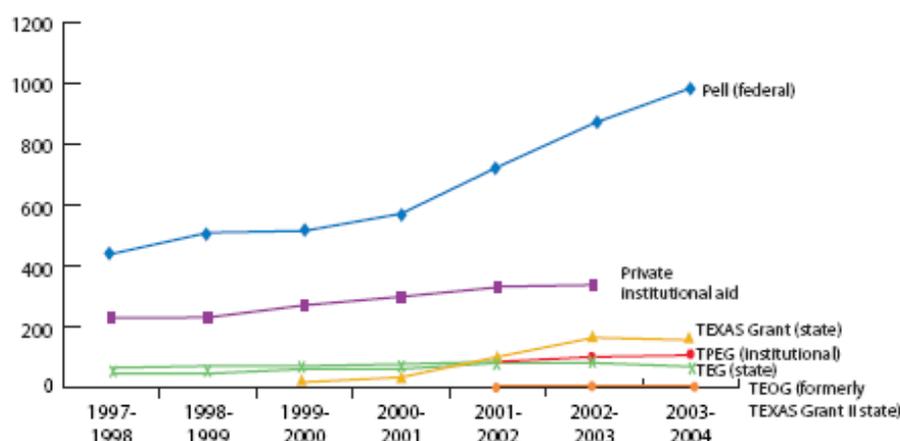
\*\*\* Includes the Texas Public Educational Grant (TPEG) for Award Year 2003-2004 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for Award Year 2002-2003. Data on private institutional aid in Texas for Award Year 2003-2004 are not available.

Sources: Private Institutional Aid Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report," December 2004 (<http://www.icut.org/Publications/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "Bentson Report," Austin, Texas, (unpublished tables); Federal loans in Texas: U.S. Department of Education, Office of Postsecondary Education, "FFELP & Direct Loan Program, AY 2003-2004 Gross Loan Commitments," Washington, D.C.; Federal grants and work-study in Texas: U.S. Department of Education, Office of Postsecondary Education, "Federal Pell Grant Program 2003-2004 End of Year Report" and "Federal Campus-Based Programs Data Book 2004" (<http://www.ed.gov/inaid/prof/resources/data/opa.html?exp=0>); Aid in the U.S.: The College Board, Trends in Student Aid 2005, ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_aid\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_aid_05.pdf)) and "Student Aid Tables and Charts" ([http://www.collegeboard.com/prod\\_downloads/press/cost05/05-aid\\_charts.xls](http://www.collegeboard.com/prod_downloads/press/cost05/05-aid_charts.xls)).



# Three-fourths of Grant Aid in Texas Comes from the Federal Government

Total Amount Awarded per Award Year, in Millions of Dollars



The largest grant program in Texas and the nation is the federal Pell Grant, which is only for undergraduate students who demonstrate financial need. Pell, which provides three-fourths of the grant aid in Texas, has grown significantly since the late 1990s, an indication of the need of Texas students. In Award Year (AY) 2003-2004, \$837 million in Pell grants was distributed at colleges and universities in Texas and \$145 million was distributed at for-profit schools, for a total of \$982 million.

The second largest source of grant aid in Texas is institutional aid. In AY 2002-2003, private colleges and universities gave out \$332 million in institutional aid to undergraduate and graduate students. Data on AY 2003-2004, and the amount awarded to undergraduates only, are not available.

TPEG (Texas Public Educational Grant) is funded through schools' own resources and is also considered an institutional grant. In AY 2003-2004, \$107 million was distributed in TPEG awards to undergraduate and graduate students. Data on total institutional aid given by all public colleges and universities, and the amount given just to undergraduates, are not available.

State grants comprise the smallest source of grant aid in Texas. There are three main state grants, of which the largest is the TEXAS (Towards EXcellence, Access, and Success) Grant. TEXAS Grant recipients must graduate from high school with a Recommended\* diploma, enroll in an undergraduate program in a Texas college or university within 16 months, and maintain a Grade Point Average (GPA) of 2.5 on a 4.0 scale to remain eligible for the grant. In AY 2003-2004, \$156.6 million in TEXAS Grants was awarded, a decrease of about \$8 million from the previous year. In AY 2004-2005, more than 31,000 needy students — over one-third of those eligible to receive a TEXAS Grant — did not receive one.

TEG (Tuition Equalization Grant) is a state grant for students attending private colleges and universities in Texas. In AY 2003-2004, \$70.5 million in TEG was awarded to undergraduate and graduate students, a decrease of \$12 million over the previous year.

TEOG (Texas Educational Opportunity Grant, formerly TEXAS Grant II) is also a state grant and was begun in 2001. It assists undergraduates attending public two-year schools. In AY 2003-2004, \$5 million was awarded for TEOG.

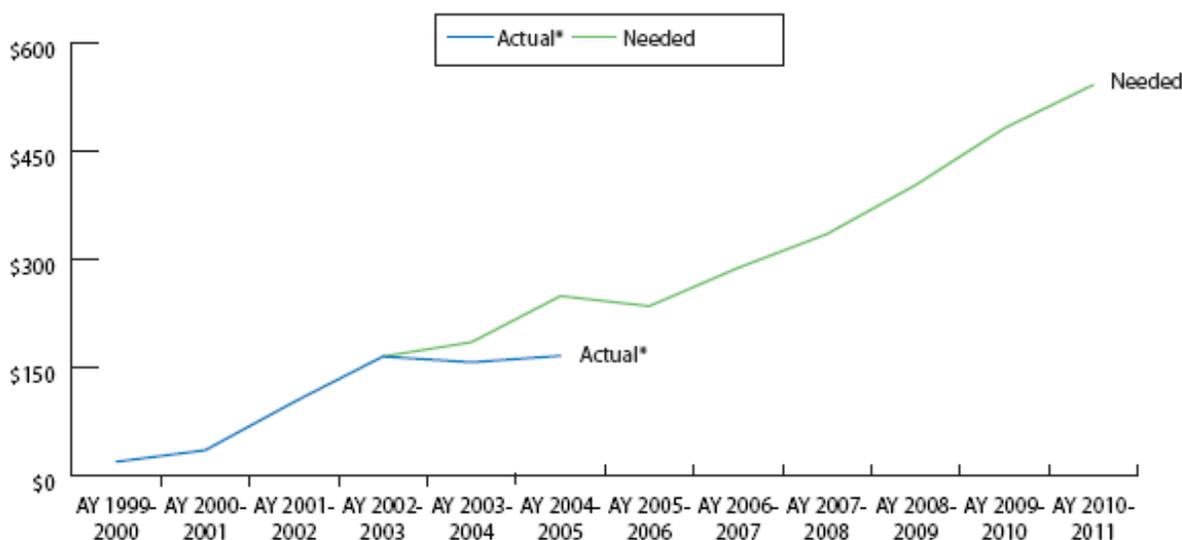
\*The Recommended diploma requires an additional credit each of science and social studies and two of foreign language. In 2003, 64 percent of Texas high school graduates graduated with a Recommended diploma or higher, up from 15 percent in 1999.

Source: Private Institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report", December 2004 (<http://www.icut.org/Publications/publications.html>); Pell data: U.S. Department of Education, "Federal Pell Grant Program End of Year Reports" (<http://www.ed.gov/finaid/prof/resources/data/opa.html?exp=0>); All other grants: Texas Higher Education Coordinating Board (THECB) "Bentson Report," Austin, Texas (Unpublished tables); TEXAS Grant shortfall: THECB, "TEXAS Grant Program Projections as of May 2004" (Internal memo); Grant qualifications and grant availability: THECB "College for Texans" website (<http://www.collegefortexans.com/playing/finaidtypes.cfm>); Recommended diploma: Texas Education Agency "Academic Excellence Indicator System" (<http://www.tea.state.tx.us/perfreport/aets/2003/index.html>).



# Many Eligible Students Are Not Receiving the TEXAS Grant

**Actual TEXAS Grant Allocations and Amount Needed to Cover All Eligible Needy Students, in Millions of Dollars**



\*Actual amounts for the future will be determined by the Legislature

The Texas Legislature created the TEXAS (Toward EXcellence, Access, and Success) Grant in 1999 to help needy undergraduates pay tuition and fees comparable to what one would spend at a typical public four-year or two-year institution in Texas. To qualify, students must graduate from high school with a Recommended\* diploma rather than the minimum and enroll in a college or university in Texas within 16 months. Initially, only 15 percent of Texas high school graduates had taken the courses to qualify for the TEXAS grant. With greater public awareness, and a 2001 law mandating the Recommended diploma as the default for entering high school freshmen beginning in 2004, the percentage of students graduating with a Recommended diploma increased to 64 percent in 2003.

The program seemed to work: more needy students were taking the tougher courses and money became available to help them pay for college. However, state funding has remained flat, while the average grant amount has risen since (1) it is pegged to average tuition and fees for undergraduates at Texas public institutions, which have risen sharply since the program was created, and (2) the number of eligible students has exceeded expectations. Over 68,000 new and returning\*\* needy students received a TEXAS Grant in Award Year (AY) 2002-2003, but only 64,000 students got a grant in AY 2003-2004 and about 56,000 in AY 2004-2005. The Texas Higher Education Coordinating Board (THECB) reports that 31,000 needy students—over one-third of those eligible—did not receive a TEXAS Grant in AY 2004-2005. As tuition and fees increase and more students graduate with the college prep curriculum, the amount needed to fully fund TEXAS Grants will increase to \$542 million by AY 2010-2011 according to the THECB.

\* The Recommended curriculum better prepares students for college than the minimum curriculum by requiring one additional credit each in science and social studies, and two in foreign language (three for Distinguished diploma).

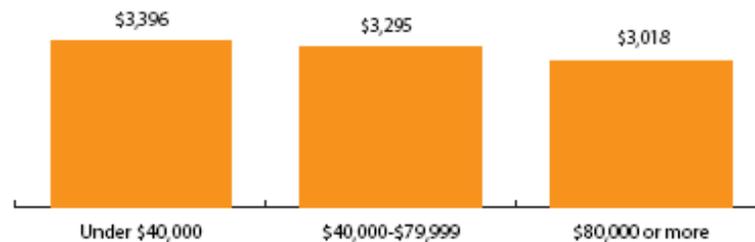
\*\* TEXAS Grant recipients are eligible to continue to receive the grant if they maintain an overall Grade Point Average (GPA) of 2.5 on a 4.0 scale.

Sources: TEXAS Grant requirements: Texas House Bill 713, 76th Legislature (1999); Percent of students graduating with a Recommended diploma: Texas Education Agency, Academic Excellence Indicator System (<http://www.tea.state.tx.us/ipar/reports/aais/index.html>); TEXAS Grant shortfall and projections: Texas Higher Education Coordinating Board, THECB; \*TEXAS Grant Program Projections as of May 2004\* (internal memo); Recommended diploma mandate: Texas House Bill 1144, 77th Legislature (2001) (<http://www.capitol.state.tx.us/tlo/77rbilltext/HB01144F.HTM>); TEXAS Grant amount: THECB, "Bentson Report" (unpublished tables).

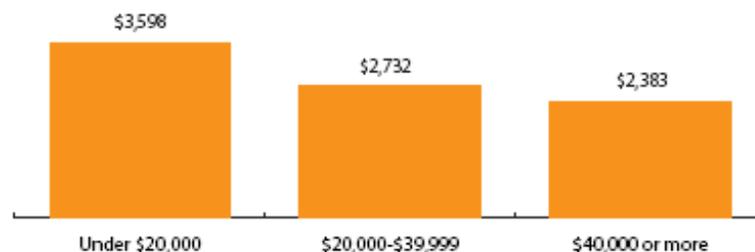


# Unmet Need for Low-income Undergraduates in Texas Exceeds \$3,300

**Median Unmet Need for Dependent Undergraduates in Texas by Parents' Income: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY 2003-2004)**



**Median Unmet Need for Independent Undergraduates in Texas by Income: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY 2003-2004)**



Unmet need is defined as the student's total cost of attendance\* minus his or her Expected Family Contribution\*\* and all financial aid including both grants and loans. About 76 percent of Texas undergraduates\*\*\* who are dependent on their parents and whose parents make under \$40,000 per year had unmet need in the 2003-2004 Award Year (AY), with a median\*\*\*\* unmet need of \$3,396. This is the amount that students must cover through work or savings, or that their parents must cover through additional work and savings over and above what they are already contributing to their child's education. Unmet need was slightly lower for students whose parents make between \$40,000 and \$79,999 and for students whose parents make \$80,000 or more, but the proportion of students with unmet need in these two income groups — 36 percent and 11 percent, respectively — was a good deal lower than for lower-income students. For undergraduates who are independent of their parents\*\*\*\*, unmet need among the lowest-income students — those making under \$20,000 — was \$3,598. Unmet need for independent students with higher incomes was lower than for dependent students with higher incomes, perhaps due to the fact that independent students, regardless of income, attend two-year institutions by a two-to-one margin. The proportion of independent undergraduates with unmet need was 76 percent, 55 percent, and 13 percent, respectively, across the three income brackets.

\* Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for 9 months. Data on college costs as they relate to unmet need come from the National Postsecondary Student Aid Study (NPSAS) 2004 and are for students who took 12 or more credit hours in the fall as well as the spring semesters. For students who took less than 12 hours, costs have been adjusted.

\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown.

\*\*\* Data on students who attended for-profit institutions are not available.

\*\*\*\* A median is the point at which 50 percent of students had a higher unmet need and 50 percent had lower. A median represents a typical student better than an average because students who had high unmet need skew the average, making it a less reliable gauge than the median.

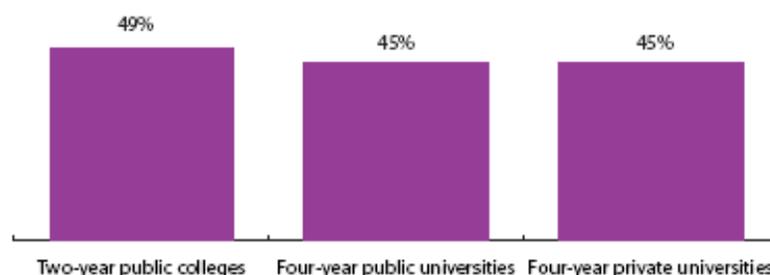
\*\*\*\*\* The U.S. Department of Education defines an independent student as age 24 or older, married, with dependents to support, a veteran, orphan or ward of the court, or graduate student. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. About 49 percent of undergraduates in Texas are dependent and 51 percent are independent. Income of independent students includes spouse's income if any. About 42 percent of independent undergraduates are married.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).

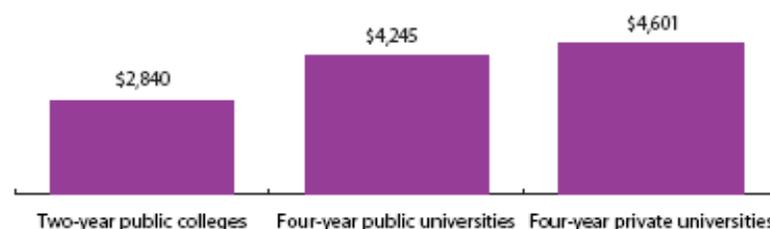


# Unmet Need in Texas is More Than \$2,800 at Public Colleges and \$4,200 at Public Universities

Percent of Undergraduates in Texas With Unmet Need by School Sector (AY2003-2004)



Median Unmet Need by School Sector in Texas: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid Including Grants and Loans (AY2003-2004)



Unmet need is defined as the student's total cost of attendance\* minus his or her Expected Family Contribution\*\* and all financial aid including both grants and loans. Just under half of undergraduates in Texas\*\*\* had unmet need in the 2003-2004 Award Year (AY), ranging from a median\*\*\*\* of \$2,840 at two-year public colleges, to \$4,245 and \$4,601, respectively, at four-year public and private universities. This is the amount that students must cover through work or savings, or for dependent undergraduates\*\*\*\*, that their parents must cover through additional work or savings over and above what they are already contributing to their child's education. Interestingly, although the average total cost of attendance at a four-year private university in Texas is almost \$10,000 higher than at a public university (\$24,693 versus \$14,730, respectively, for AY 2003-2004), unmet need was only a few hundred dollars higher.

\* Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for 9 months. Data on college costs as they relate to unmet need come from the National Postsecondary Student Aid Study (NPSAS) 2004 and are for students who took 12 or more credit hours in the fall as well as the spring semesters. For students who took less than 12 hours, costs have been adjusted.

\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown.

\*\*\* Data on students who attended for-profit institutions are not available.

\*\*\*\* A median is the point at which 50 percent of students had a higher unmet need and 50 percent had lower. A median represents a typical student better than an average because students who had high unmet need skew the average, making it a less reliable gauge than the median.

\*\*\*\*\* The U.S. Department of Education defines an independent student as age 24 or older, married, with dependents to support, a veteran, orphan or ward of the court, or graduate student. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. About 49 percent of undergraduates in Texas are dependent and 51 percent are independent.

Source: Costs for AY 2003-2004: Texas Higher Education Coordinating Board (THECB) "2003-2004 College Student Budgets" (costs have been weighted for enrollment); All other U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).





# More Than Half of Undergraduates in Texas Do Not Receive Grant Aid

Percent of Undergraduates in Texas\*\*\* and the U.S. Who Received Any Grant Aid (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas and the U.S. Who Received Grants: Total and by Source (AY 2003-2004)



Grants (including scholarships) may be awarded to students on the basis of financial need, merit in academics, athletics, or other areas, a combination of need and merit, or other factors. Unlike loans, grants do not have to be repaid, thus, grants lower the cost of attending college for students who receive them. In Award Year (AY) 2003-2004, about 46 percent of undergraduates in Texas\* received some form of grant aid, with a median\*\* of \$2,500 in total grants received by those who received them. In the U.S. as a whole, 49 percent of undergraduates received grants with a median of \$2,799 received. The largest source of grant aid is the federal government: 27 percent of undergraduates in Texas received a federal grant, with a median of \$2,531 received. In most cases this was a Pell Grant, which is the largest need-based grant program in the country. The second largest source of grants was from schools themselves: about 16 percent of Texas undergraduates received institutional grants\*\*\*. The third largest source was from outside entities such as private foundations or employers. The state of Texas represented the smallest source of grant aid: just 9 percent of Texas undergraduates received a state grant\*\*\* compared to 15 percent nationwide. For federal, state, and private grants, the median received by Texas students was almost the same as in the U.S. However, for institutional grants, the median in Texas was a good deal smaller.

\* Data on students who attended for-profit institutions are not available.

\*\* A median is the point at which 50 percent of students received more and 50 percent received less. A median represents a typical student better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

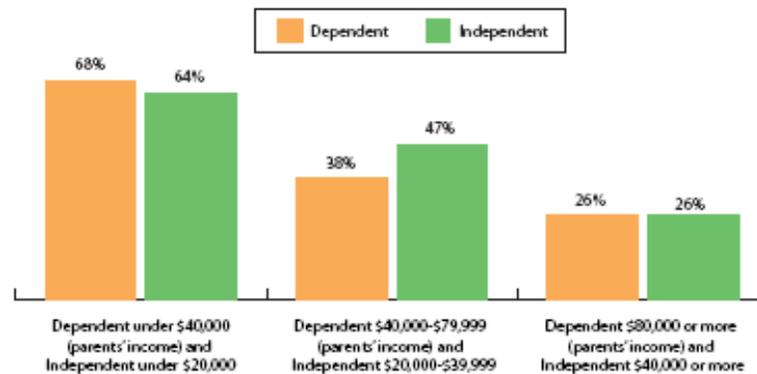
\*\*\* The percent of undergraduates in Texas receiving institutional grant aid may actually be higher than shown and the percent receiving state grant aid may be lower. This is due to the fact that the Texas Public Educational Grant (TPEG) was reported in the National Postsecondary Student Aid Study (NPSAS) as a state grant rather than an institutional grant. TPEG comes from a school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", <http://www.nces.ed.gov/das/>.

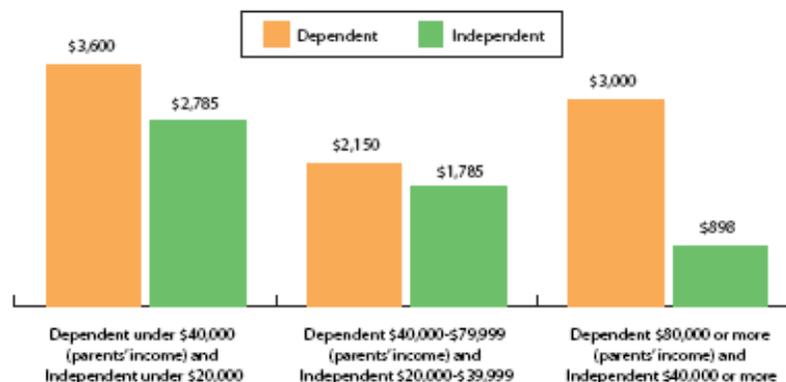


# Low-income Independent Undergraduates in Texas Receive Less Median Grant Aid Than High-income Dependent Undergraduates

Percent of Undergraduates in Texas Who Received Grant Aid, by Dependency Status and Income\*\* (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas Who Received Grants, by Dependency Status and Income\*\* (AY 2003-2004)



About 49 percent of undergraduates in Texas\* are dependent on their parents and 51 percent are independent.\*\* In the 2003-2004 Award Year (AY), just under half of students in both groups received some form of grant aid including scholarships, but the amounts they received varied, with dependent students from high-income families actually receiving larger median grants than independent students with low incomes. Among both dependent and independent undergraduates, about two-thirds of low-income students, two-fifths of middle-income, and one-fourth of high-income, received grants. Median grant aid\*\*\* was highest (\$3,600) for dependent students whose parents make under \$40,000. However, the second highest amount was not for low-income independent students, but for high-income dependent: students whose parents make \$80,000 or more received a median of \$3,000 in grants compared to \$2,785 for independent students making less than \$20,000. Independent students, regardless of income, tend to select modestly-priced two-year institutions over four-year by a two-to-one margin, but it is not known whether some students receive less grant aid because they attend less expensive schools, or whether they attend less expensive schools because they receive less grant aid. By lowering their educational expenses, students reduce their eligibility for aid. While grant aid opens access to higher education, it also provides many higher-income students with increased choice in selection from a diverse array of colleges.

\* Data on students who attended for-profit institutions are not available.

\*\* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married.

\*\*\* A median is the point at which 50 percent of grant recipients received more and 50 percent received less. A median represents a typical student grant better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/dass/>).



# *Texas v. Other States*



*How does Texas stack up against its competitors in student aid?*

*Unfortunately, not well.*

# ***How Does Texas Rate in Higher Education?***

## **Falling Further Behind**

Texas is already well behind other states in producing college graduates, particularly African American and Hispanic graduates. In fact, Texas lags in the number of students even enrolling in college. Dwindling grant aid and rising tuition continue to worsen the problem. The numbers speak for themselves:

- Texas ranks 41st in the nation in the rate of college enrollment;
- Texas ranks 34th in the percentage with a bachelor's degree or higher, behind states such as California, Colorado, Florida, Georgia, New York, Illinois, Pennsylvania, Ohio, Washington, Missouri and South Carolina;
- Only 26 percent of Texans aged 25-65 have a bachelor's degree or higher;
- Only 13 percent of Hispanic Texans have an Associate's Degree or higher;
- Texas spends, on average, \$180 million less on direct grant aid than the other five largest states, California, New York, Florida, Illinois and Pennsylvania.

Unless Texas significantly increases its direct grant aid to students, our state will fall further behind our competitors in producing the graduates needed to fuel the 21st century economy.

## **Measuring Up?**

- Currently, 36 out of 100 white young adults in Texas are enrolled in college, compared with 26 out of 100 young adults from other ethnic groups.
- Young adults (ages 18-24) from high income families are about twice as likely as those from low-income families to attend college.
- Meanwhile, the state's population is projected to grow by 26% from 2005 to 2020, far faster than the national rate of 14%. During approximately the same period, the number of high school graduates is projected to increase by 26%.
- In Texas, 2,885 more students are leaving the state than are entering to attend college. About 9% of Texas high school graduates who go to college attend college out of state.
- Compared with best-performing states, families in Texas devote a large share of family income, even after financial aid, to attend public two-years college, and they devote large share of family income to attend public four-year colleges and universities in the state.
- Over the past several years, the share of family income, even after financial aid, needed to pay for college expenses at public four-year institutions has increased from 22% to 30%.

(Source: *Measuring Up 2006*, The National Center for Public Policy and Higher Education, [www.highereducation.org](http://www.highereducation.org))

## Enrollment in Higher Education

When it comes to getting students into college, Texas already lags far behind. Texas ranks 41st in the rate of enrollment in higher education, putting the state far at the back of the pack when it comes to states competing for high tech jobs.

*Source: U.S. Department of Education, National Center for Education Statistics. Methodology: National Average: 586 students per 1,000 18 to 24 year olds*

## Top Five Largest States Other Than Texas

State	Enrollment Rate	Rank
California	697	3
New York	610	15
Florida	664	27
Illinois	632	8
Pennsylvania	568	26

## Major Competitors for Jobs

State	Enrollment Rate	Rank
California	697	3
Illinois	632	8
Colorado	630	11
Maryland	614	13
Oregon	605	15
Washington	571	25
Pennsylvania	568	26
Florida	564	27
Virginia	562	28
North Carolina	549	30
Kentucky	537	34
New Jersey	522	39

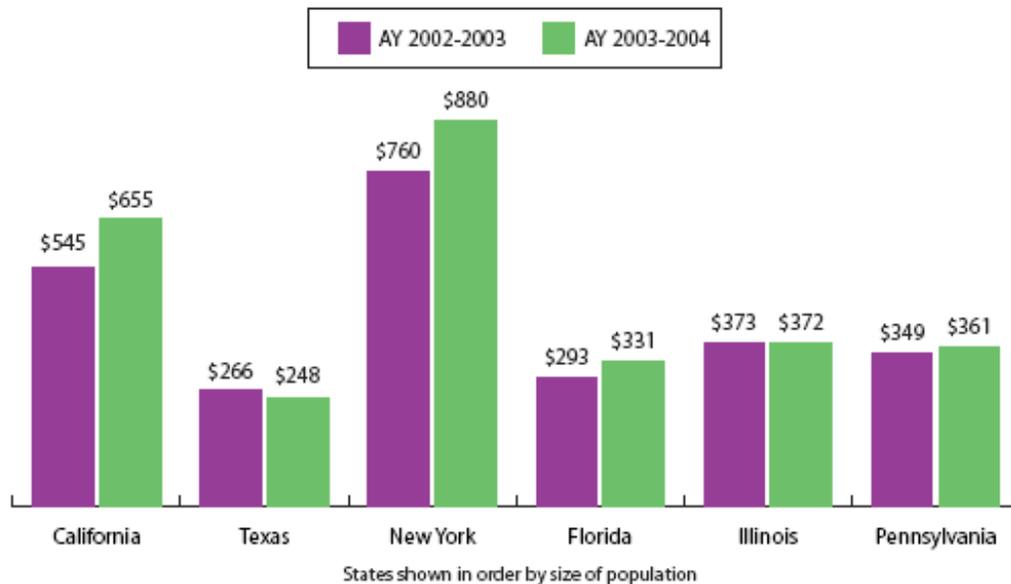
## Top State Grant Spending

Rank	State	Population	Pop. Rank	Total Grant Spending	Per Capita Grant Spending	Rank
1	New York	19,254,630	3	\$910.5 million	\$47.36	4
2	California	36,132,147	1	\$723.5 million	\$20.16	20
3	Georgia	9,072,576	9	\$459.0 million	\$51.99	3
4	Florida	17,789,864	4	\$372.3 million	\$21.40	17
5	Illinois	12,763,371	5	\$370.6 million	\$29.15	10
6	Pennsylvania	12,429,616	6	\$365.8 million	\$29.49	9
<b>7</b>	<b>Texas</b>	<b>22,859,968</b>	<b>2</b>	<b>\$361.6 million</b>	<b>\$16.08</b>	<b>25</b>
8	Indiana	6,271,973	14	\$276.8 million	\$44.39	5
9	New Jersey	8,717,925	10	\$248.6 million	\$28.58	11
10	South Carolina	4,255,083	25	\$244.3 million	\$58.21	1
11	Ohio	11,464,042	7	\$239.0 million	\$20.86	19
12	Michigan	10,120,860	8	\$201.2 million	\$19.90	21
13	North Carolina	8,683,242	11	\$181.8 million	\$21.29	18
14	Kentucky	4,173,405	26	\$160.0 million	\$38.61	6
15	Washington	6,287,759	15	\$149.4 million	\$24.08	15

(Source: 36th Annual Report, National Association of State Student Grant and Aid Programs)

# Texas State Grant Aid Decreases

Total State Grant Aid, in Millions of Dollars



In Award Year (AY) 1996-1997, Texas spent only \$48 million in state grant aid. Among the six largest states, Texas ranked last, spending less than half what was spent by the next lowest state, Florida. Then, with the establishment of the TEXAS (Toward EXcellence Access, & Success) Grant\* program in 1999, state grant aid began to increase. By AY 2002-2003, the amount that Texas allocated in grants had risen to \$266 million, but the following year total state grant aid decreased to \$248 million\*\*, which means that Texas still ranks last. In AY 2003-2004 Texas spent only a little more than a third of what was spent by California, and a little over a fourth of what was spent by New York. For AY 2004-2005, funding for the largest state grant program, the TEXAS Grant, was \$166 million, essentially the same as two years earlier. The Texas Higher Education Coordinating Board (THECB) estimates that in AY 2004-2005 more than 31,000 students — over one-third of those eligible for the TEXAS Grant — did not receive one. Meanwhile, both enrollments and financial need in the state continue to increase: for Texas students who received aid only to meet costs and not to replace family income, average unmet need for AY 2003-2004 — the costs not covered by family income or aid including both grants and loans — was \$5,189, up from \$4,972 a year earlier.

Student grant aid may be based on financial need, academic merit, a combination of need and merit, or other factors. In Texas, almost all (98 percent) of state grant aid is based on student need.

\* To receive a TEXAS Grant a student must graduate from a Texas public or private high school with a Recommended or Distinguished diploma rather than the minimum, enroll in higher education in Texas within 16 months, and maintain a Grade Point Average (GPA) of 2.5 on a 4.0 scale to maintain eligibility.

\*\*State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG). Institutional grant aid comes from the school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting. TPEG reported to the National Association of State Student Grant and Aid Programs (NASSGAP) for AY 2003-2004 has been subtracted from NASSGAP's state grant aid data for Texas.

Source: TEXAS Grant availability for AY 2004-2005: Texas Higher Education Coordinating Board (THECB) "College for Texans" website (<http://www.collegefortexas.com/TEXASGrant/TEXASGrant.cfm>); TEXAS Grant shortfall: THECB, "TEXAS Grant Program Projections as of May 2004" (Internal memo); Unmet need: THECB, Financial Aid Database AY 2003-2004 (unpublished tables); All other: National Association of State Student Grant and Aid Programs. 35th Annual Survey Report on State-Sponsored Student Financial Aid, May 2005 ([www.nassgap.org](http://www.nassgap.org)).



# Affordability



*Is higher education in Texas really the bargain some leaders claim?*

*Sadly, no.*

## How Affordable is Higher Education in Texas?

While state officials continue to claim higher education in Texas remains a bargain, the truth tells a different story. First of all, while the cost of college is higher in other states, these states also generally provide significantly more direct student aid. In addition, the per capita income is also significantly higher in these other states

According to *Measuring Up 2006*, the cost of college is soaring and threatens to price out thousands of Texas families.

Income Groups	Average Family Income	Net Cost Community College	% of Income Needed	Net Cost 4 Year Public	% of Income Needed	Net Cost 4 Year Private	% of Income Needed
20% of the population w/ lowest income	\$11,303	\$5,802	51%	\$7,680	68%	\$18,283	162%
20% of the population w/ lower-middle income	\$25,000	\$6,482	26%	\$8,693	35%	\$18,678	75%
20% of the population w/ middle income	\$41,303	\$7,075	17%	\$9,913	24%	\$19,071	46%
20% of the population w/ upper-middle income	\$65,893	\$7,253	11%	\$10,218	16%	\$19,429	29%
20% of the population w/ the highest income	\$118,230	\$7,288	6%	\$10,311	9%	\$19,898	17%
<b>40% of the population w/ the lowest income</b>	<b>\$18,152</b>	<b>\$6,142</b>	<b>34%</b>	<b>\$8,186</b>	<b>45%</b>	<b>\$18,481</b>	<b>102%</b>

(Source: *Measuring Up 2006*, The National Center for Public Policy and Higher Education, [www.highereducation.org](http://www.highereducation.org))

### Population & Income

State	Population Rank	Population	Per Capita Income	Per Capita Rank
California	1st	36,132,147	\$35,172	11
Texas	2nd	22,859,968	\$30,697	28
New York	3rd	19,254,630	\$38,333	5
Florida	4th	17,789,864	\$31,460	24
Illinois	5th	12,763,371	\$34,725	13
Pennsylvania	6th	12,429,616	\$33,257	18
Average	<b>Top 5 other than Texas</b>		<b>\$34,609</b>	

## Population and Financial Aid

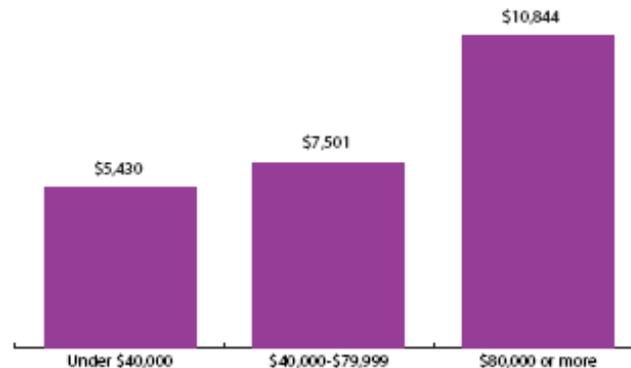
In 2005, Texas provided \$140 million less in state financial aid than the other five biggest states in the nation. **In 2007, Texas now provides \$186.1 million less.**

State	Population Rank	Population	State Financial Aid
California	1st	36,132,147	\$723.5 million
Texas	2nd	22,859,968	\$361.6 million
New York	3rd	19,254,630	\$910.5 million
Florida	4th	17,789,864	\$372.3 million
Illinois	5th	12,763,371	\$370.6 million
Pennsylvania	6th	12,429,616	\$365.8 million
<b>Average</b>	<b>Top 5 other than Texas</b>		<b>\$547.7 million</b>

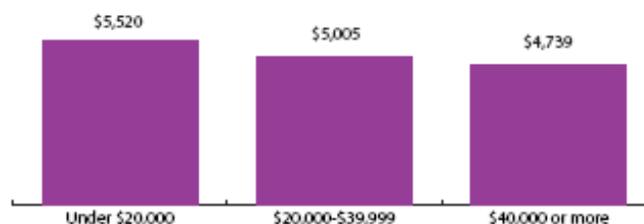
*(Source: 36th Annual Survey Report, National Association of Student Grant and Aid Programs)*

# Net Price of Attendance for Low-income Undergraduates in Texas is More Than \$5,400

**Median Net Price for Dependent Undergraduates in Texas by Parents' Income: Total Cost of Attendance\* Minus All Grants (AY 2003-2004)**



**Median Net Price for Independent Undergraduates in Texas by Income: Total Cost of Attendance\* Minus All Grants (AY 2003-2004)**



The net price of attendance for a student at an institution of higher education is defined as the student's total cost of attendance\* minus the total grants and scholarships he or she receives. In the 2003-2004 Award Year (AY), the median\*\* net price\*\*\* of attendance for low-income students was \$5,430 for dependent students whose parents make under \$40,000, and \$5,520 for independent students making under \$20,000\*\*\*\*. This was the amount that students or their families had to cover through work, loans, or savings. The amount that dependent students had to cover rose with parental income, perhaps reflecting the fact that students from higher-income families are more likely to attend higher-cost institutions than students whose parents make less money. For independent undergraduates, however, net price was actually higher for low-income students than for high-income. The median net price of \$5,520 for those making less than \$20,000, who represent 38 percent of all independent undergraduates, represented more than one-fourth of the income of someone making \$20,000.

\* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for 9 months. Full-time students in the National Postsecondary Student Aid Study (NPSAS) are those who took 12 or more credit hours in the fall and spring semesters. For students who took fewer hours, costs have been adjusted to reflect what they would have been if they had taken 12 hours.

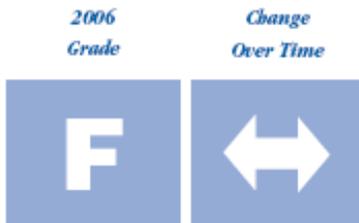
\*\* A median is the point at which 50 percent of students had a higher net price and 50 percent had lower. A median represents a typical student better than an average because students who had a high net price skew the average, making it a less reliable gauge than the median.

\*\*\* The median net price (i.e. cost of attendance minus grants and scholarships) is not equivalent to the Texas Higher Education Coordinating Board's (THECB's) weighted cost of attendance minus grants and scholarships because THECB costs have been weighted for enrollment and are based on 15 credit hours per semester, whereas costs in the National Postsecondary Student Aid Study (NPSAS), from which median net price is derived, have not been weighted for enrollment and are based on 12 credit hours per semester.

\*\*\*\* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).





*Texas has made no notable progress in making higher education affordable. This year Texas receives an F in affordability.*

### Graded Information

■ Compared with best-performing states, families in Texas devote a large share of family income, even after financial aid, to attend public two-year colleges, and they devote a very large share of family income to attend public four-year colleges and universities in the state. These two sectors enroll 88% of college students in Texas.

■ The state's investment in need-based financial aid is very low, and Texas does not offer low-priced college opportunities.

■ Undergraduate students borrowed on average \$3,541 in 2005.

### Change in Graded Measures

■ Over the past several years, the share of family income, even after financial aid, needed to pay for college expenses at public four-year institutions has increased from 22% to 30%.

■ During the same period, the state has increased its commitment to financially needy students, but its investment remains very low when compared with other states.

### Other Key Facts

■ In Texas, 52% of students are enrolled in community colleges and 36% in public four-year colleges and universities.

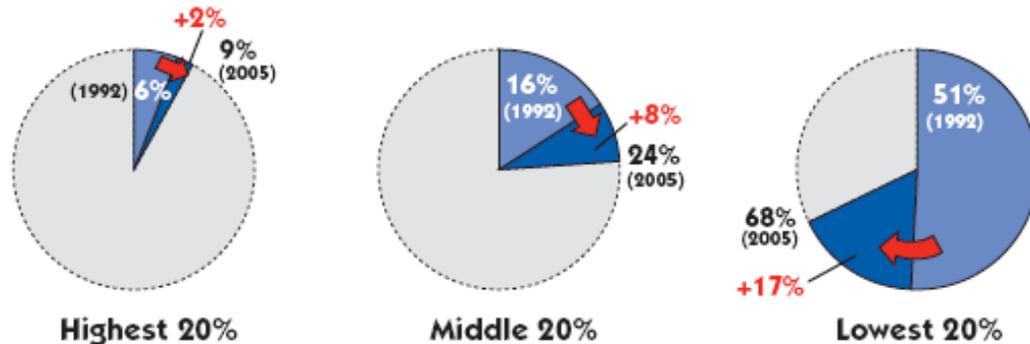
AFFORDABILITY	TEXAS		Top States In Early 1990s
	1992*	2006	
<b>Family Ability to Pay (50%)</b>			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	20%	22%	15%
at public 4-year colleges/universities	22%	30%	16%
at private 4-year colleges/universities	53%	66%	32%
<b>Strategies for Affordability (40%)</b>			
State investment in need-based financial aid as compared to the federal investment	7%	34%	89%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	8%	11%	7%
<b>Reliance on Loans (10%)</b>			
Average loan amount that undergraduate students borrow each year	\$2,873	\$3,541	\$2,619

\*The indicators report data beginning in 1992 or the closest year for which reliable data are available. See the *Technical Guide for Measuring Up 2006*.

Note: In the affordability category, the lower the figures the better the performance for all indicators except for "State investment in need-based financial aid."

The affordability category measures whether students and families can afford to pay for higher education, given income levels, financial aid, and the types of colleges and universities in the state.

**College in Texas Has Become Less Affordable for Middle- and Low-Income Families (1992–2005)**



Net costs to attend public 4-year colleges as a share of income for different income families.

**Financial Burden to Pay for College Varies Widely Among Different Income Families in the State**

Those who are striving to reach or stay in the middle class—the 40% of the population with the lowest incomes—earn on average \$18,152 each year.

■ If a student from such a family were to attend a community college in the state, their net cost to attend college would represent about 34% of their income annually:

Tuition, room, and board:	\$7,358
Financial aid received:	-\$1,216
Net college cost:	\$6,142
Percent of income:	34%

■ If the same student were to attend a public four-year college in the state, their net cost to attend college would represent about 45% of their income annually:

Tuition, room, and board:	\$10,771
Financial aid received:	-\$2,584
Net college cost:	\$8,186
Percent of income:	45%

**Note**

The numbers shown for tuition, room, and board minus financial aid may not exactly equal net college cost due to rounding.

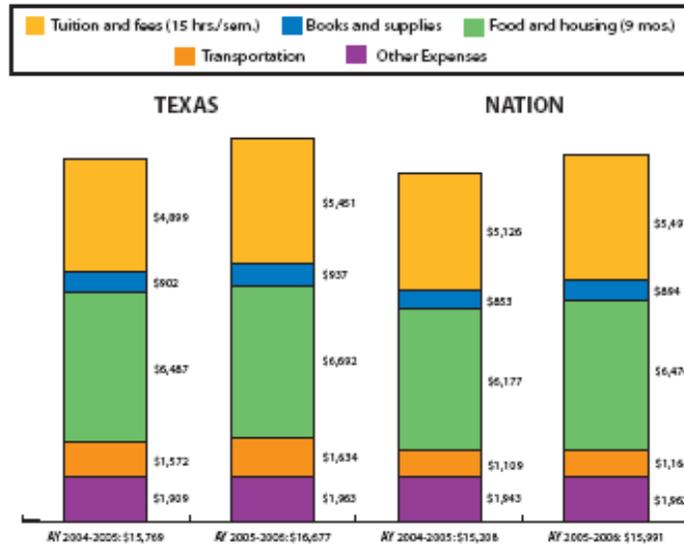
A CLOSER LOOK AT FAMILY ABILITY TO PAY	Average family income	Community colleges		Public 4-year colleges/universities		Private 4-year colleges/universities	
		Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost
<b>Income groups used to calculate 2006 family ability to pay</b>							
20% of the population with the lowest income	\$11,303	\$5,802	51%	\$7,680	68%	\$18,283	162%
20% of the population with lower-middle income	\$25,000	\$6,482	26%	\$8,693	35%	\$18,678	75%
20% of the population with middle income	\$41,303	\$7,075	17%	\$9,913	24%	\$19,071	46%
20% of the population with upper-middle income	\$65,893	\$7,253	11%	\$10,218	16%	\$19,429	29%
20% of the population with the highest income	\$118,230	\$7,288	6%	\$10,311	9%	\$19,898	17%
<b>40% of the population with the lowest income</b>	<b>\$18,152</b>	<b>\$6,142</b>	<b>34%</b>	<b>\$8,186</b>	<b>45%</b>	<b>\$18,481</b>	<b>102%</b>

\*Net college cost equals tuition, room, and board, minus financial aid.

*(Source: Measuring UP, 2006; The National Center for Public Policy and Higher Education)*

# Texas Public Four-Year University Total Costs Exceed the National Average

Average Four-year Public University Cost of Attendance (Weighted for Enrollment\*) for Two Semesters for Full-time\*\* Undergraduates Living Off-campus in Texas and the U.S. (AY 2004-2005 and AY 2005-2006)



The tuition and fees charged to students, along with living expenses and books and supplies, constitute a school's cost of attendance, or "sticker price." Weighted for enrollment\*, two semesters of full-time\*\* undergraduate education at Texas public four-year universities averaged \$16,677 in Academic Year 2005-2006, or \$686 more than in the U.S. Total expenses in Texas have exceeded the national average for several years. Tuition and fees in Texas are lower than the nation, but all other expenses exceed national costs. The primary expense facing students, however, is not tuition and fees, but food and housing, which make up 40 percent of the budget. These costs are not discretionary: students must eat, and unless they live with parents — and 76 percent of Texas public university undergraduates do not — they must pay rent. Together, food, housing, and transportation comprise half the student budget, while tuition and fees comprise a third. Total costs have risen by \$908 in Texas and \$783 in the U.S. since 2005, with most of the increase due to hikes in tuition and fees.

"Sticker price" is the starting point for determining financial aid: from the sticker price, the student's expected family contribution\*\*\* is subtracted to arrive at the student's need. Once need is determined, an aid package, consisting primarily of grants and loans, can be developed. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live as well as their attendance and work patterns. To cut costs, many students attend part-time, work long hours, or both. In AY 2003-2004, 45 percent of public university graduates in Texas attended less than full-time/full-year — that is, they either took fewer than 12 hours per semester or did not attend two semesters — and 75 percent worked while enrolled, of whom 28 percent worked full-time\*\*\*\*. Full-time work and part-time attendance are associated with lower graduation rates and with each other: 69 percent of Texas public university undergraduates who work full-time while enrolled attend less than full-time/full year.

\*An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for further clarification.

\*\*For cost purposes, full-time enrollment both in Texas and the nation is considered to be 15 hours per semester for two semesters.

\*\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown. In AY 2003-2004, 64 percent of public four-year university undergraduates in Texas reported that they got no help from their parents in paying tuition and fees.

\*\*\*\*35 or more hours per week.

Sources: Texas costs: Texas Higher Education Coordinating Board (THECB "2005-2006 College Student Budgets" (costs have been weighted for enrollment) (<http://www.thecb.state.tx.us/reports/pdf/0111.pdf>); Texas enrollment: THECB "Fall 2005 Preliminary Headcount" (unpublished tables); US costs: College Board, *Trends in College Pricing 2005* ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_college\\_pricing\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_college_pricing_05.pdf)); All other: U.S. Department of Education, *National Postsecondary Student Aid Study (NPSAS) 2004* (<http://www.nces.ed.gov/das/>).



# Grants Not Loans



*Though studies show grants are the most effective way to increase college participation, Texas is moving in the wrong direction.*

*Texas' reliance on loans is hampering its ability to close the gaps and ensure a prosperous future.*

## **Grants, Not Loans**

Most studies show that the best way to increase minority and low-income participation in higher education is through direct grant aid, not loans.

Unfortunately, Texas is rapidly moving in the wrong direction, forcing more and more students to rely on loans rather than grants, which will likely widen rather than close the gaps.

### **Barriers to higher education**

"Low-income communities more often see the casualties of higher education. Pursuing a college degree entails substantial financial risk, especially for low-performing or working students...low income communities may see higher drop-out rates due to the rising pressure on those who must work and attend school full-time." (Source: *U.S. Department of Labor, Employment Standards Administration, History of Federal Minimum Wage Rates*)

"Latinos and African Americans, who make up a disproportionate share of low-income students, tend to also have different concepts of financial assistance and affordability that are typically shaped by the social networks, norms, attitudes, and experiences of neighborhoods and communities." (Source: *"The Meaning of Money: Perceptual Differences Between College Counselors and Low-Income Families About College Costs and Financial Aid"*, August 2006)

"Socioeconomic variables and perceived cost become stronger factors as students progress through high school...By the time students are high-school age, roughly 66 percent of low-income families have saved less than 10 percent of the costs of higher education." (Source: *"Parents' Views on the Value of a College Education and How They Will Pay for It," Journal of Student Financial Aid 27, no.1, 1997*)

"Most low-income parents are struggling just to pay rent and keep food on the table; many depend on the financial contributions of their children just to make ends meet. Within this context, the rising cost of college and the perception that it is not affordable deflates parental expectations for their children." (Source: *Ready, Willing and Unable, TG, December 2006*)

"Most students want to attend college...However, achieving this dream becomes much more difficult for disadvantaged students who have lower incomes, especially if they are the first in their family to go to college. These students and their families are often either under-informed or misinformed about the cost of attending college, the amount of financial aid available and the complexity of applying for college." (Source: *ibid*)

A recent survey of California Latino students found that most overestimated the costs of attending public four-year universities, only 36 percent felt that the costs of attending college outweigh the benefits, and only 18 percent referred to loans as a way to pay for college.

(Source: *Perceptions of College Financial Aid Among California Latino Youth, The Tomas Rivera Policy Institute, June 2006*)

# The Value of the Federal Pell Grant Continues to Decline

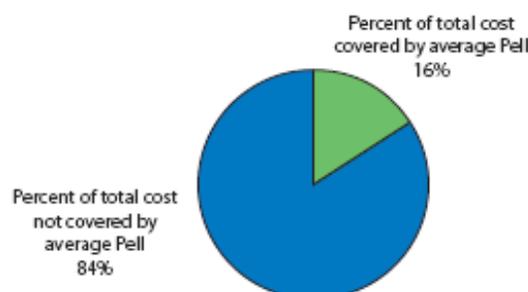
The buying power of the largest grant program in the U.S. as well as in Texas, the federal Pell Grant, has declined over the last three decades. Originally designed as the foundation for student aid packaging, the Pell Grant is only allocated to undergraduates and only to the neediest of undergraduates. But in Award Year (AY) 2004-2005, the average Pell Grant in the U.S., at \$2,469, covered about 20 percent of the average "fixed cost" (defined as tuition and fees plus room and board) for undergraduates at public four-year universities, down from a little under 50 percent in the mid-1970s. Overall Pell funding has been increasing in recent years, but the number of recipients is also increasing due to, among other things, a decline in median household income (from \$44,514 in the U.S. in 2002-2003\* to \$44,436 in 2003-2004\*), an increase in the percent of people in poverty (from 11.9 percent in 2001-2002\* to 12.6 percent in 2003-2004\*) and an increase in the cost of attending college. The average Pell Grant per student has not kept pace with rising costs. In AY 2004-2005, the average Pell in the U.S. fell by \$78, but at four-year public universities total costs (defined as tuition and fees, food and housing, books and supplies, transportation, and personal expenses) rose by \$998 in the U.S. and \$1,039 in Texas.

The buying power of the Pell Grant is lower in Texas than in the rest of the nation. In AY 2004-2005, the average Pell Grant covered about 16.2 percent of the average total cost of attendance at a public university in the U.S., and 15.7 percent of the cost in Texas.

**Change in Average Pell Grant Over Previous Award Year and Increase in the Average Total Cost of Two Semesters of Full-time Attendance at a Public Four-year University in Texas and the U.S.**

Award Year	Change in Average Pell Grant	Increase in Cost in Texas	Increase in Cost in U.S.
2002-2003	\$138	\$831	\$755
2003-2004	\$37	\$1,209	\$713
2004-2005	-\$78	\$1,039	\$998
2005-2006	not available	\$908	\$783

**Percent of Average Total Cost of Two Semesters of Full-time Attendance at a Public Four-year University in Texas Which is Covered by the Average Pell Grant (AY 2004-2005)**



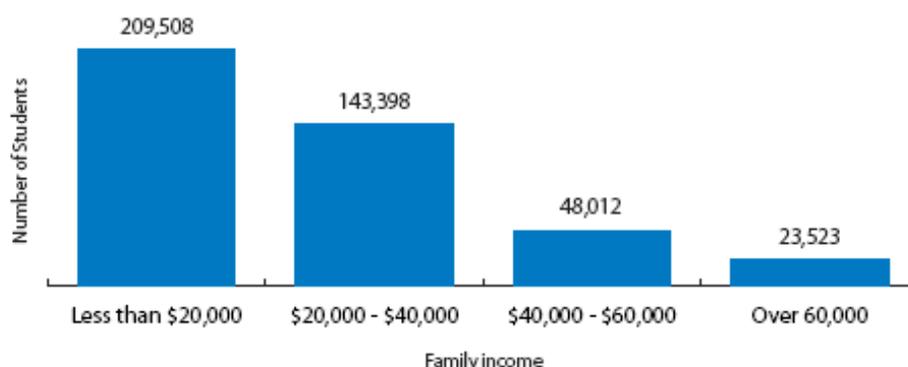
\*Two-year average.

Sources: Texas costs: Texas Higher Education Coordinating Board (THECB) "2004-2005 College Student Budgets (costs have been weighted for enrollment)" (<http://www.thecb.state.tx.us/reports/pdf/0111.pdf>); U.S. costs: The College Board, *Trends in College Pricing 2005* ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_college\\_pricing\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_college_pricing_05.pdf)); Pell: The College Board, *Trends in Student Aid, 2005* ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_aid\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_aid_05.pdf)); Poverty rate 2001-2002: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2003* (August 2004); Table 8, p. 23 (<http://www.census.gov/prod/2004pubs/p60-226.pdf>); All other: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2004* (August 2005); Table 10, p. 25; (<http://www.census.gov/prod/2005pubs/p60-229.pdf>).



# Over Four-fifths of Texas Students Receiving Aid to Meet Costs Have Family Incomes Under \$40,000

**Number of AY 2003-2004 Aid Recipients in Texas by Family Income  
(Excludes Students Who Received Aid In Part to Replace Family Contribution)**



A student's financial need is considered to be equal to the total Cost of Attendance\* minus his or her Expected Family Contribution (EFC)\*\*. In Award Year (AY) 2003-2004, about 541,000 undergraduate and graduate students at Texas colleges and universities received some type of need-based aid\*\*\*, 266,000 applied for aid but did not receive it, and 335,000 did not apply. Of students receiving aid, 78 percent received aid only to meet the difference between cost and EFC and the rest borrowed at least in part to replace EFC — that is, in addition to need-based aid, they also took out non-need-based loans. The larger and needier of the two groups, students receiving aid only to meet costs, consisted of 424,441 students (including both dependent and independent students\*\*\*\*), 83 percent of whom had an income of under \$40,000. The average EFC of these students was \$1,453 and the average unmet need — the costs not covered by family income or aid, including both grants and loans — was \$5,189\*\*\*\*\*, or over three times the Expected Family Contribution.

The need of Texas students is almost certain to rise. Median household income in Texas declined between 2001-2002 and 2002-2003, and declined again in 2003-2004 by \$423. In addition, the proportion of children under 18 living in poverty has increased from 22 percent in 2002 to 23.2 percent in 2004.

\*Tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for 9 months. Data come from the Texas Higher Education Coordinating Board (THECB) and are based on 15 credit hours in the fall and spring semesters.

\*\* EFC is determined through a federal formula that takes into account family income, size, and number of children in college. The average amount that families actually contribute toward educational expenses is unknown.

\*\*\* Students may not have received aid either because they did not qualify, missed the deadline, were offered loans but turned them down, or attended institutions which had depleted their funds. Data suggest that while the majority of U.S. undergraduates who do not apply for aid are upper-income students who do not need it, about a fifth are from low- or moderate-income families, indicating the number of Texas students who need aid may be higher.

\*\*\*\* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent.

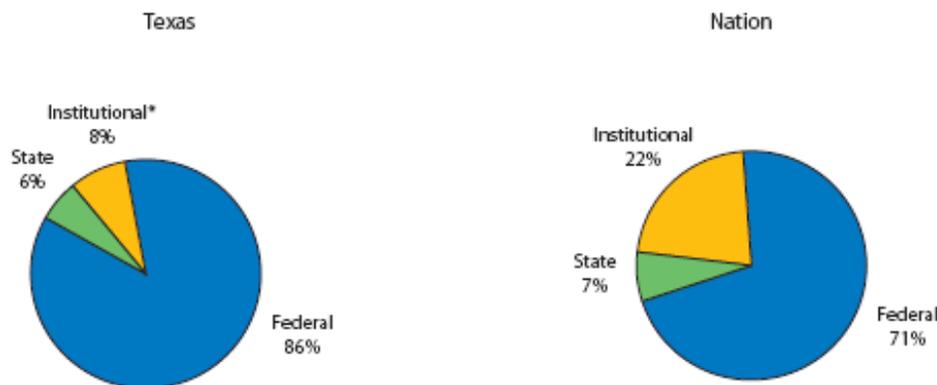
\*\*\*\*\* Data on unmet need come from the THECB and may be higher than unmet need from the National Postsecondary Student Aid Study (NPSAS) because THECB data reflect the average and not the median and also include graduate students, who have higher costs than undergraduate.

Sources: Family Income, EFC, and unmet need of aid recipients in Texas: Texas Higher Education Coordinating Board (THECB) Financial Aid Database AY 2003-2004 (unpublished tables) and "Financial Aid for College Students in Texas, FY 2004 Annual Report" (July 2005) (<http://www.thecb.state.tx.us/reports/pdf/0855.pdf>); U.S. undergraduates not applying for aid: American Council on Education (ACE) Oct. 2004 Issue Brief: "Missed Opportunities: Students Who Do Not Apply for Financial Aid" (<http://www.acenet.edu/resources/HigherEdFacts/Issue-briefs/2004FAFSA.pdf>); Income and poverty in Texas, two-year average: U.S. Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States: 2004 (August 2005) (<http://www.census.gov/prod/2005pubs/p60-229.pdf>).



# Texas is Highly Dependent on the Federal Government for Student Aid

Direct Student Aid by Source for Award Year 2003-2004\*



College students receive financial aid from three major sources: the federal government, the state government, and the colleges and universities they attend. Of these three, the federal government’s contribution is primary. Nationally, the federal government provided 71 percent of the generally available direct financial aid\* for undergraduate and graduate students in Award Year 2003-2004. In Texas, the federal government’s role is much larger, accounting for 86 percent of aid, an increase from 83 percent a year earlier.

Texas’ state government provided 6 percent of generally available aid\*\* in 2003-2004, a decrease from 7 percent in AY 2002-2003. Nationally, state governments provided 7 percent of aid.

Texas colleges and universities, through institutional grants\*\*\*, provided a much smaller percentage of financial aid than colleges in other states. Texas institutions provided 8 percent of aid versus 22 percent for colleges nationally.

\* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in graphs is for Award Year 2003-2004 with the exception of private institutional grant aid in Texas, which is for Award Year 2002-2003. Data on private institutional grant aid in Texas for Award Year 2003-2004 are not available.

\*\*The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

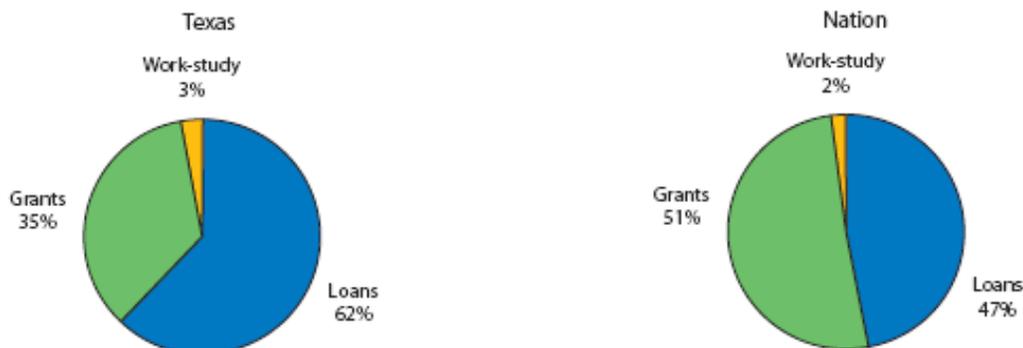
\*\*\* Includes the Texas Public Educational Grant (TPEG) for Award Year 2003-2004 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for Award Year 2002-2003. Data on private institutional aid in Texas for Award Year 2003-2004 are not available.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report," December 2004 (<http://www.icut.org/Publications/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "Bantson Report," Austin, Texas, (unpublished tables); Federal loans in Texas: U.S. Department of Education, Office of Postsecondary Education, "FFELP & Direct Loan Program, AY 2003-2004 Gross Loan Commitments," Washington, D.C.; Federal grants and work-study in Texas: U.S. Department of Education, Office of Postsecondary Education, "Federal Pell Grant Program 2003-2004 End of Year Report" and "Federal Campus-Based Programs Data Book 2004" (<http://www.ed.gov/inaid/prof/resources/data/opa.html?exp=0>); Aid in the U.S.: The College Board, Trends in Student Aid 2005, ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_aid\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_aid_05.pdf)) and "Student Aid Tables and Charts" ([http://www.collegeboard.com/prod\\_downloads/press/cost05/05-aid\\_charts.xls](http://www.collegeboard.com/prod_downloads/press/cost05/05-aid_charts.xls)).

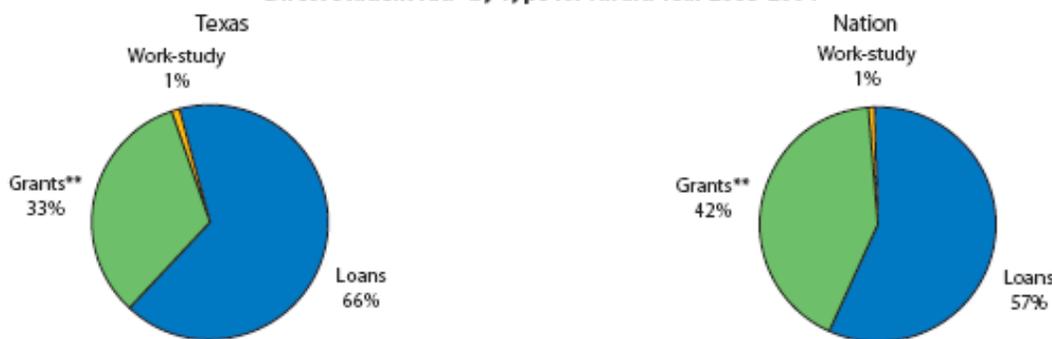


# Texas Students Are Highly Dependent on Loans

Direct Student Aid\* by Type for Award Year 1991-1992



Direct Student Aid\* by Type for Award Year 2003-2004\*\*



The increase in the percent of student aid in the U.S. which is allocated to loans virtually mirrors the decrease in the percent allocated to grants. In 1991-1992, loans accounted for 47 percent of direct\* financial aid to undergraduate and graduate students in the U.S. and grants accounted for 51 percent. But by Award Year (AY) 2003-2004, loans accounted for 57 percent of aid in the U.S. and grants accounted for 42 percent. One year earlier those figures were 56 percent and 43 percent, respectively.

Texas college students rely even more heavily on loans, both now and in the past. In AY 2003-2004, 66 percent of aid in Texas came from loans and 33 percent came from grants, including state and institutional grants\*. One year earlier, 62 percent of aid came from loans and 37 percent came from grants.

Most student loans in Texas are Stafford loans, which are part of the Federal Family Education Loan Program, or FFELP. The maximum subsidized\*\*\* Stafford loan that a first-year student can receive is \$2,625 for a student who is dependent on his or her parents and \$6,625 for a student who is independent\*\*\*.

\* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in second set of graphs is for Award Year 2003-2004 with the exception of private institutional grant aid in Texas, which is for Award Year 2002-2003. Data on private institutional grant aid in Texas for Award Year 2003-2004 are not available.

\*\* Subsidized loans are for students who demonstrate financial need. The Department of Education pays the interest on subsidized loans while a student is in school and for the first six months after the student leaves school.

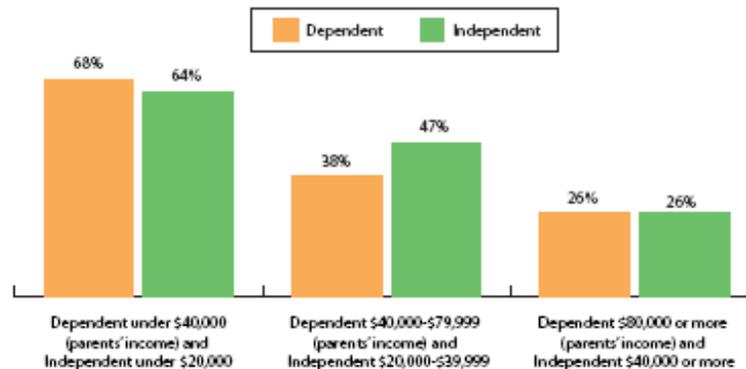
\*\*\* The U.S. Department of Education defines an independent student as age 24 or older, married, with dependents to support, a veteran, orphan or ward of the court, or a graduate student. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent.

Sources: Private institutional aid in Texas: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report," December 2004 (<https://www.icut.org/Publications/publications.html>); Texas state aid and Texas Public Educational Grant (TPEG): Texas Higher Education Coordinating Board, "Bantson Report," Austin, Texas, (unpublished tables); Federal loans in Texas: U.S. Department of Education, Office of Postsecondary Education, "FFELP & Direct Loan Program, AY 2003-2004 Gross Loan Commitments," Washington, D.C.; Federal grants and work-study in Texas: U.S. Department of Education, Office of Postsecondary Education, "Federal Pell Grant Program 2003-2004 End of Year Report" and "Federal Campus-Based Programs Data Book 2003" (<http://www.ed.gov/finaid/prof/resources/data/opa.html?exp=0>); Aid in the U.S.: The College Board, Trends in Student Aid 2005, ([http://www.collegeboard.com/prod\\_downloads/press/cost05/trends\\_aid\\_05.pdf](http://www.collegeboard.com/prod_downloads/press/cost05/trends_aid_05.pdf)) and "Student Aid Tables and Charts" ([http://www.collegeboard.com/prod\\_downloads/press/cost05/05-aid\\_charts.xls](http://www.collegeboard.com/prod_downloads/press/cost05/05-aid_charts.xls)).

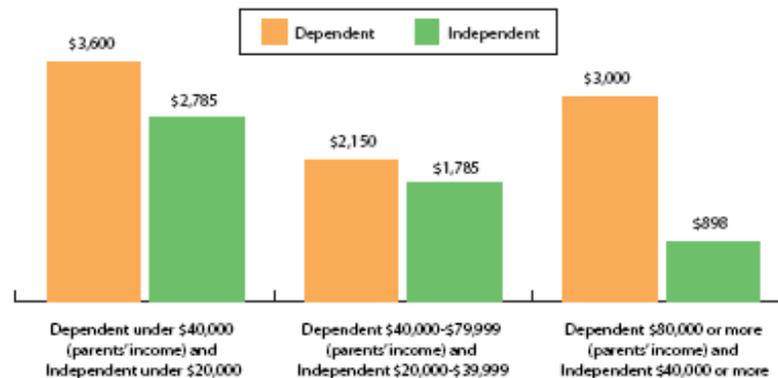


# Low-income Independent Undergraduates in Texas Receive Less Median Grant Aid Than High-income Dependent Undergraduates

Percent of Undergraduates in Texas Who Received Grant Aid, by Dependency Status and Income\*\* (AY 2003-2004)



Median Total Grant Aid for Undergraduates in Texas Who Received Grants, by Dependency Status and Income\*\* (AY 2003-2004)



About 49 percent of undergraduates in Texas\* are dependent on their parents and 51 percent are independent.\*\* In the 2003-2004 Award Year (AY), just under half of students in both groups received some form of grant aid including scholarships, but the amounts they received varied, with dependent students from high-income families actually receiving larger median grants than independent students with low incomes. Among both dependent and independent undergraduates, about two-thirds of low-income students, two-fifths of middle-income, and one-fourth of high-income, received grants. Median grant aid\*\*\* was highest (\$3,600) for dependent students whose parents make under \$40,000. However, the second highest amount was not for low-income independent students, but for high-income dependent: students whose parents make \$80,000 or more received a median of \$3,000 in grants compared to \$2,785 for independent students making less than \$20,000. Independent students, regardless of income, tend to select modestly-priced two-year institutions over four-year by a two-to-one margin, but it is not known whether some students receive less grant aid because they attend less expensive schools, or whether they attend less expensive schools because they receive less grant aid. By lowering their educational expenses, students reduce their eligibility for aid. While grant aid opens access to higher education, it also provides many higher-income students with increased choice in selection from a diverse array of colleges.

\* Data on students who attended for-profit institutions are not available.

\*\* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates in Texas are married.

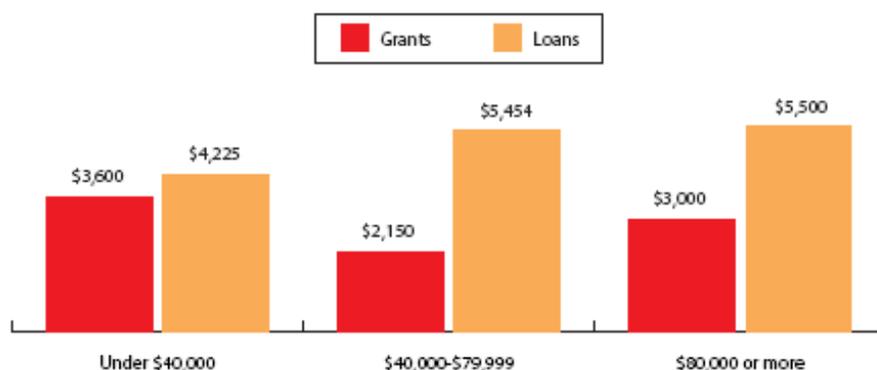
\*\*\* A median is the point at which 50 percent of grant recipients received more and 50 percent received less. A median represents a typical student grant better than an average because students who received large grants skew the average, making it a less reliable gauge than the median.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/dss/>).

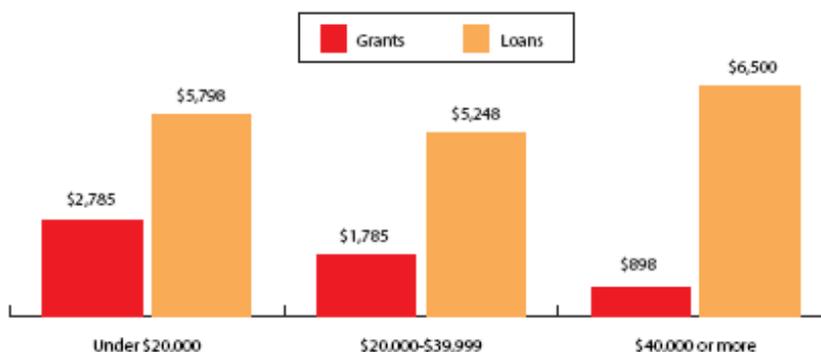


# The Median Loan for Undergraduates in Texas Is Twice as Large as the Median Grant

Median Grant and Loan Amounts for Dependent Undergraduates in Texas, by Parents' Income (AY 2003-2004)



Median Grant and Loan Aid for Independent Undergraduates in Texas, by Income (AY 2003-2004)



The amount that Texas undergraduates\* take out in loans dwarfs what they receive in grants. When broken down by income, the only group for whom the median\*\* loan amount is only a few hundred dollars higher than the median grant amount is for dependent\*\*\* students whose parents make less than \$40,000. For dependent students whose parents make between \$40,000 and \$79,999, and for all independent students regardless of income\*\*\*, the median loan is more than twice as large as the median grant.

\* Data on students who attended for-profit institutions are not available.

\*\* A median is the point at which 50 percent of students had a higher amount and 50 percent had lower. A median represents a typical student better than an average because students who had high amounts skew the average, making it a less reliable gauge than the median.

\*\*\* The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria, but who receive no financial support from their parents, may also be considered independent. In Texas, 49 percent of undergraduates are dependent and 51 percent are independent. Independent students' income includes spouse's, if any. About 42 percent of independent undergraduates are married.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).

**TG**

# Get In & Get Out



*Plans to encourage speedier graduation punish majority of students, particularly low-income and minority students.*

*According to TG, "an estimated 22,200 - 47,000 college prepared high school graduates from 2004 may not be able to earn a four-year degree by 2012 primarily due to financial barriers. 47,000 is the same figure as the goal for additional four-year degrees in the Closing the Gaps report."*

## **Comparison of Graduation Rates for TEXAS Grant and Non-TEXAS Grant Students**

Texas does a poor job of producing college graduates, particularly African American and Hispanic graduates. Our state ranks 41st in the nation in rate of college enrollment, and 34th in percentage of population with a bachelor's degree; only 13 percent of Hispanic Texans have even an associates degree. To help improve these numbers, in 1999 the state created the TEXAS Grant program.

Unfortunately, Governor Rick Perry's financial aid proposal would require students receiving state grant aid to graduate in five years and with a 3.0 grade point average. If a student fails to meet these new standards -- the most stringent in the nation -- the grant would become a loan and the student would be responsible for paying it back.

According to Texas Higher Education Coordinating Board data, a very small percentage of the student body currently graduates in 4 years; an even smaller percentage graduate in 4 years while maintaining a 3.0 GPA.

### **All Years (00-01)**

<b>Students</b>	<b>Cumulative 5-Year Graduation Rate</b>
Non-TEXAS Grant	49.2 percent
TEXAS Grant	40.9 percent
All Students	47.8 percent

### **Fall 2000 Freshman**

<b>Students</b>	<b>4-Year Graduation Rate</b>	<b>5-Year Graduation Rate</b>	<b>6-Year Graduation Rate</b>	<b>Combined Persistence</b>
Non-TEXAS Grant	25.2 percent	48.8 percent	57.5 percent	74.6 percent
TEXAS Grant	18.3 percent	42.0 percent	54.1 percent	76.0 percent
All Students	24.5 percent	48.1 percent	57.2 percent	74.7 percent

### **Fall 2001 Freshman**

<b>Students</b>	<b>4-Year Graduation Rate</b>	<b>5-Year Graduation Rate</b>
Non-TEXAS Grant	26.2 percent	49.6 percent
TEXAS Grant	19.2 percent	41.8 percent
All Students	24.3 percent	47.5 percent

## Fall 2002 Freshman

Students	4-Year Graduation Rate
Non-TEXAS Grant	27.9 percent
TEXAS Grant	19.3 percent
All Students	25.2 percent

## Minority Students Will Be Punished by Perry Plan

According to Texas Higher Education Coordinating Board numbers, minority students would be severely penalized by the Perry Plan. Statistics show that African American and Hispanic students -- those receiving TEXAS Grants and those not -- have a significantly lower 4 and 5-year graduation rate than Anglos. This is no surprise, as a disproportionate percentage of minority students are forced to work -- many in full time jobs -- in order to pay for college.

If the Perry Plan becomes law, it will be nearly impossible for Texas to meet its *Closing the Gaps* requirements and our state will fall further behind other states in producing college graduates.

## Total 4-Year Graduation Rate

Student	Anglo	African American	Hispanic
Non-TEXAS Grant	31.26 percent	11.4 percent	15.66 percent
TEXAS Grant	24.7 percent	13.63 percent	13.96 percent

## 5-Year Graduation Rate

Year	Student	Anglo	African American	Hispanic
2000	Non-TEXAS Grant	56.6 percent	27.6 percent	33.3 percent
2000	TEXAS Grant	48.3 percent	35.5 percent	35.7 percent
2001	Non-TEXAS Grant	56.6 percent	26.7 percent	34.5 percent
2001	TEXAS Grant	51.2 percent	35.7 percent	33.4 percent

Table 5.1 Graduation Rates by Race/Ethnicity<sup>2</sup>

Race/Ethnicity	Percent by Year		
	1996	2000	2004
African American	69	77	83
Asian/Pacific Islander	86	89	93
Hispanic	64	73	78
Native American	74	79	84
White	83	87	89
State Overall	75	81	85

Source: TEA, *Secondary School Completion and Dropouts in TX Public Schools (2006)*

Table 5.2 Texas High School Graduation Rates<sup>5</sup>

Year	Percent by TEA Method	Percent by NCES Method
1996	75	66
1998	79	69
2000	81	71
2002	83	71
2004	85	77

Source: TEA, *Secondary School Completion and Dropouts in TX Public Schools (2006)*

Table 5.3 Graduation Curriculum by Race/Ethnicity<sup>15</sup>

Race/Ethnicity	Percent Curriculum Type in 2000		Percent Curriculum Type in 2004	
	Minimum	College Prep <sup>16</sup>	Minimum	College Prep
African American	74	26	40	60
Asian/Pacific Islander	44	56	17	83
Hispanic	65	35	32	68
Native American	63	37	35	65
White	57	43	30	70
State Overall	61	39	32	68

Source: TEA, *2000-2001 State Performance Report; 2004-2005 State Performance Report*

Table 6.1 Texas 2004-05 High School Graduates  
By Diploma Type and Enrollment Status in Texas Higher Education  
Fall 2005<sup>1</sup>

Curriculum	Not Enrolled %	Enrolled %	Total %	Total #
Minimum	75	25	100	66,380
Recommended	43	57	100	151,901
Distinguished	24	76	100	21,435

Source: THECB *ad hoc* report, 2006.

# More Work Won't Work



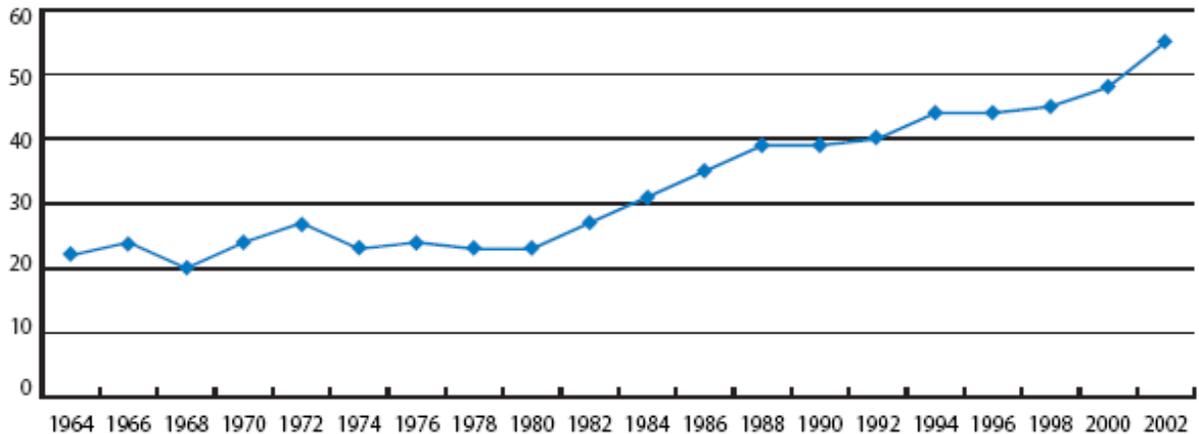
*The rising costs associated with college place a difficult burden on lower-income and, increasingly, middle class Texas students. These students must work -- often full time -- to cover the growing costs of a college education.*

*The decreasing fairness of the state and national minimum wage is also having a severe and negative impact on Texas' ability to recruit and retain minority and low-income college students. In 1981, a student working a minimum wage job need only work 24 hours per week in order to pay for tuition, food and housing at a public university; by 2002, that student would have to work 55 hours a week!*

*Under several plans currently under review, Texas students would be required to maintain a 3.0 GPA and graduate within 5 years in order to receive state grants. These plans would make it impossible for the vast majority of low-income and minority Texans to receive grant aid, further widening the gap.*

# A Student Working at Minimum Wage Must Work 55 Hours per Week to Pay for a Baccalaureate Education

**Hours of Minimum Wage Work Needed per Week to Pay for a Public University Undergraduate Education, 1964 to 2002**



In earlier generations, some students paid their entire way through school and still managed to carry a full course load, but that is no longer feasible. How many hours would students need to work in order to pay their way through school today? From 1964 to 1981, a time in which the minimum wage increased fairly regularly, an industrious undergraduate could have paid for a year of education at a public university—including tuition, food, and housing—by working about 24 hours per week at a minimum wage job.

But in the early 1980s, as the cost of education began to climb and minimum wage increases became less frequent, the number of work hours needed to pay for education began to rise. By 1988 a student working at the then-minimum wage of \$3.35 per hour would have had to work 39 hours per week to put himself or herself through school. The number of work hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century. By 2002, as a result both of increased costs and stagnant wages, a student working at the minimum wage of \$5.15 per hour would have had to work 55\* hours per week every week of the year in order to pay the tuition, fees, and living expenses associated with two semesters of attendance at a public university. Obviously, few, if any, full-time students can work 55 hours per week and maintain satisfactory academic progress. Students who use work as the primary method for financing their education often must make choices which jeopardize their ability to complete their studies.

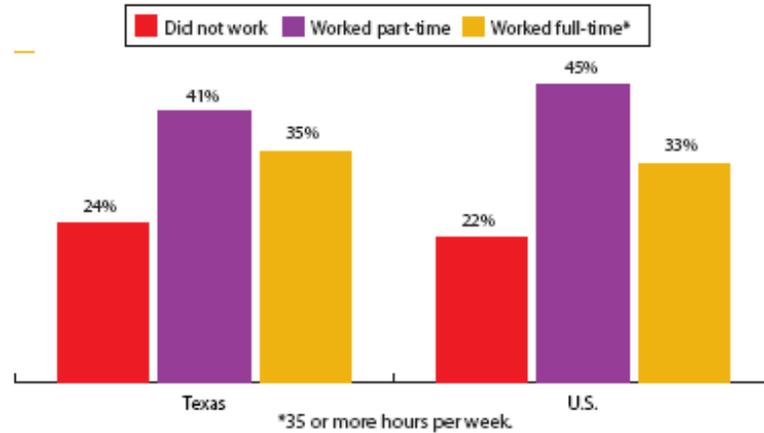
\*Postsecondary Education Opportunity estimated the 2002-2003 student budget at public universities at \$13,779. The current minimum wage is \$5.15 per hour, with 6.2 percent taken out for Social Security. At a net of \$4.83 per hour, a full-time student with no other financial aid or assets would have to work 2,852 hours per year, or 55 hours per week, to put himself or herself through school.

Sources: Minimum wage: U.S. Department of Labor, Employment Standards Administration, "History of Federal Minimum Wage Rates" (<http://www.dol.gov/esa/minwage/chart.htm>); All other: Postsecondary Education Opportunity, "I worked my way through college. You should too," Research Newsletter, Number 25 (November 2002), [www.postsecondary.org](http://www.postsecondary.org). (Select "archives" under "newsletter").

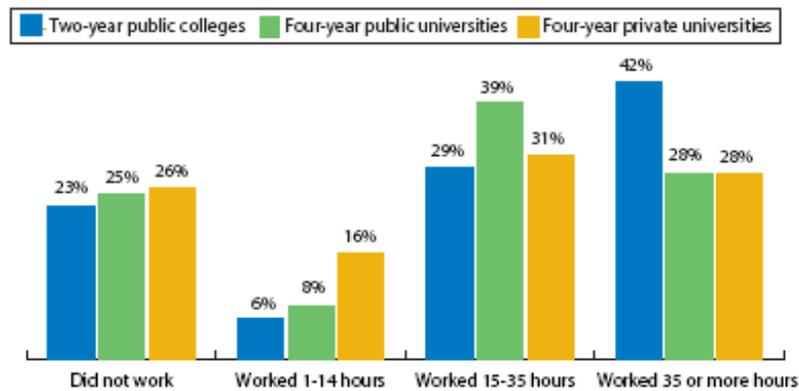


# Students Work Long Hours: Three-fourths of Undergraduates in Texas Work While Enrolled in School

Work Status of Undergraduates in Texas and the U.S. While Enrolled in School (AY 2003-2004)



Percent Distribution of Undergraduates\*\* in Texas, by Hours Worked per Week While Enrolled and by School (AY 2003-2004)



\*\*Excludes students who attended more than one institution.

Work is the chosen financing method for the majority of students. Research suggests that the students who are the most likely to remain in school are those who work fewer than 15 hours per week while enrolled. In Texas, three-fourths of undergraduates\* worked while enrolled in school in the 2003-2004 Award Year (AY), and 35 percent worked full-time\*\*, with an average of 31 hours worked per week among those who worked. Students at Texas two-year public colleges, who make up a majority of undergraduates in the state, are far more likely to work full-time than their counterparts at public and private four-year universities, but the percent who work 15 or more hours per week remains high at all three types of institutions: 71 percent, 67 percent, and 59 percent, respectively. About 31 percent of Texas undergraduates who work define their primary role not as a student, but as “an employee enrolled in school”, while 69 percent describe themselves as “a student working to meet expenses”. Among the latter group — those who consider their primary role to be student — 65 percent say the main reason they work is to pay tuition, fees, or living expenses, while 22 percent say they work mainly to earn spending money. Although on-campus employment is strongly associated with modest work hours, 93 percent of working undergraduates in Texas work off-campus.

\* Data on students who attended for-profit institutions are not available.

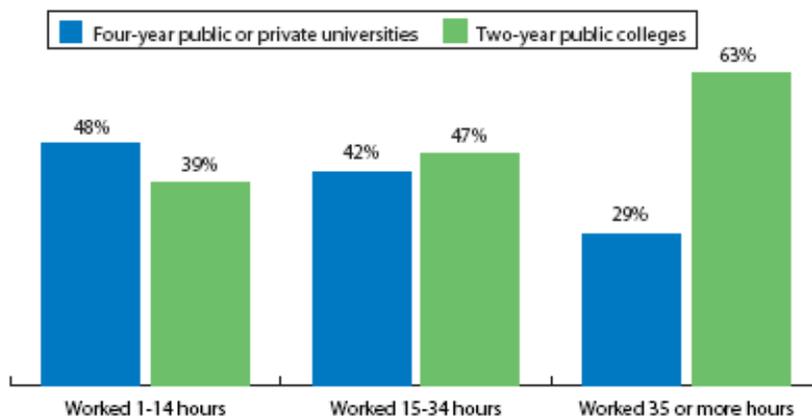
\*\* 35 or more hours per week.

Sources: Benefits of working modest hours: American Council on Education, *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. Jacqueline E. King, 2002 ([www.aenet.edu/bookstore/pdf/2002\\_crucial\\_choices.pdf](http://www.aenet.edu/bookstore/pdf/2002_crucial_choices.pdf)); All other: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2004”; (<http://www.nces.ed.gov/das/>).



# Work Affects Attendance: Texas Undergraduates Who Work Full-time Usually Attend Part-time

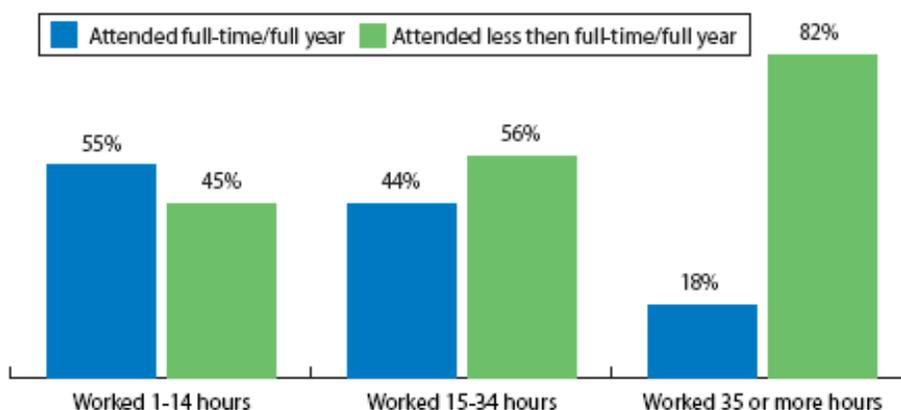
School Choice of Undergraduates in Texas, by Hours per Week Worked While Enrolled (AY 2003-2004)



While many students may consider work to be a logical method for financing a college education, too much work can jeopardize attendance, persistence, and degree completion, starting with the choice of which type of school to attend. The more that students work, the less likely they are to attend a school from which they can obtain a bachelor's degree: undergraduates in Texas\* who work part-time are about as likely to choose a four-year institution as a two-year institution, but students who work full-time\*\* choose two-year schools by more than a two-to-one margin.

In addition to affecting school choice, long work hours can affect attendance intensity. Students who enroll on a full-time basis and devote most of their time to school are more likely to complete a degree in a timely manner than students who go to school part-time. In Texas, 36 percent of undergraduates in Award Year (AY) 2003-2004 attended school full-time/full-year — that is, they took a full course load, usually 12 or more credit hours, for at least nine months. Students who attend less than full-time/full-year either take a full course load but for less than nine months, or do not take a full course load. Not surprisingly, the students who are most likely to attend full-time are those who work modest hours: 55 percent of Texas undergraduates who work less than 15 hours per week attend school full-time. By contrast, more than four-fifths who work full-time attend school less than full-time.

Attendance Intensity of Undergraduates in Texas, by Hours Worked While Enrolled (AY 2003-2004)

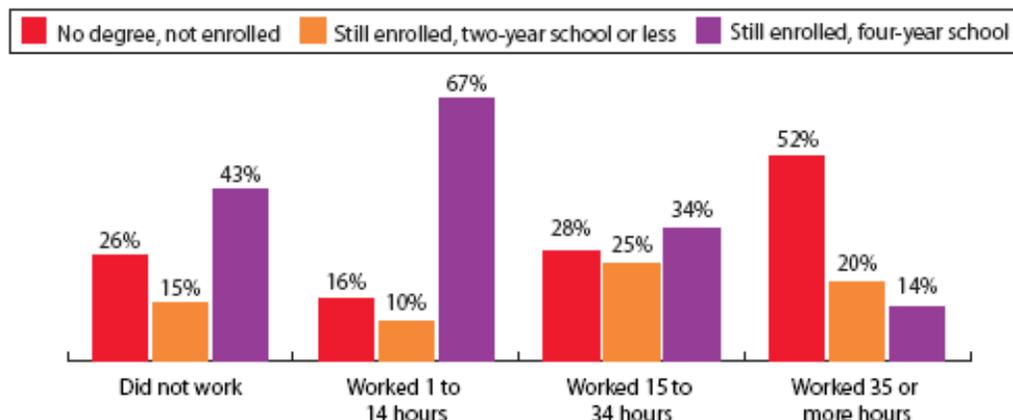


\* Data on students who attended for-profit institutions are not available.

\*\* 35 or more hours per week.

# Work Affects Persistence: Fewer Than Half of U.S. Freshmen Who Work Full-time Their First Year Remain in School for Three Years

**Work and Persistence in School: Status in 1998 of Students Who Began Postsecondary Education in 1995, by Hours Worked per Week While Enrolled Their First Year (Students Who Obtained an Associate's Degree Not Shown)**



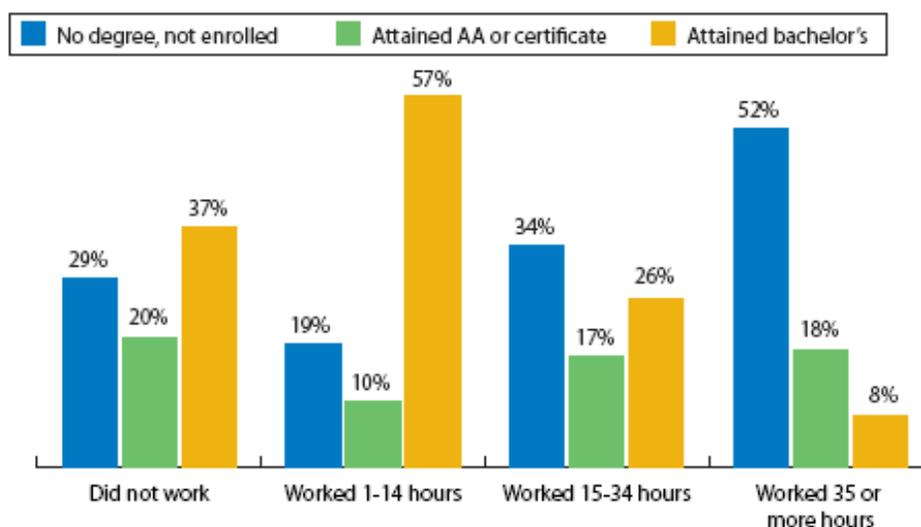
Research suggests that the students who are the most likely to remain in school are those who work fewer than 15 hours per week. Interestingly, students who work modest hours are even more likely to remain in school than students who don't work at all, perhaps because they learn to manage their time more effectively than students who don't work: 67 percent of freshmen who began postsecondary education in the U.S. in 1995 and who worked 1 to 14 hours per week their first year were still enrolled in a four-year school three years later. By contrast, fewer than half of freshmen who worked 35 or more hours per week their first year were still enrolled three years later, and only 14 percent were enrolled in a four-year school. Data on Texas undergraduates are not available.

Sources: Benefits of working modest hours: American Council on Education, *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*, Jacqueline E. King, 2002 ([www.acenet.edu/bookstore/pdf/2002\\_crucial\\_choices.pdf](http://www.acenet.edu/bookstore/pdf/2002_crucial_choices.pdf)); All other: U.S. Department of Education, National Center for Education Statistics, "Beginning Postsecondary Students (BPS): 2001" ([www.nces.ed.gov/das](http://www.nces.ed.gov/das)).



# Work Affects Completion: Only 8 Percent of U.S. Freshmen Who Work Full-time Their First Year Complete a Bachelor's Degree in Six Years

**Work and Degree Completion: Status in 2001 of Students Who Began Postsecondary Education in 1995, by Hours Worked per Week While Enrolled Their First Year (Students Who are Still Enrolled Not Shown)**



Most undergraduates take more than four years to complete a bachelor's degree\*. Reasons for this phenomenon vary, but include the following: (1) pursuing a degree that requires more than 120 credit hours, (2) pursuing more than one degree, (3) changing the degree plan or major, (4) taking extra courses beyond those needed to graduate, (5) leaving or "stopping out" of school for a while, and, (6) transferring from one institution to another. For students who work full-time, degree completion can take even longer, or not occur at all: only 8 percent of students who began postsecondary education in the U.S. in 1995 and who worked 35 or more hours per week their first year had obtained a bachelor's degree by 2001, compared to 57 percent of those who worked only 1 to 14 hours per week. Among those who worked full-time their first year, over half—52 percent—had left higher education by 2001 without obtaining a certificate or degree of any kind. Data on Texas undergraduates, and on undergraduates who worked full-time while enrolled in higher grade levels, are not available.

\* Students in the U.S. who received bachelor's degrees in AY 1999-2000 and who had not stopped out of school for more than six months averaged 55 months from first enrollment to degree completion, with the number varying from 51 months for students who attended only one institution to 59 months for those who attended two.

Source: Time to degree completion: U.S. Department of Education, Condition of Education: Student Effort and Educational Progress (<http://nces.ed.gov/programs/coe/2003/section3/indicator21.asp>); All other: U.S. Department of Education, Beginning Postsecondary Students (2001) ([www.nces.ed.gov/das](http://www.nces.ed.gov/das)).



# Ready, Willing & Unable



*A summary of TG's comprehensive study on how financial barriers to college are eroding progress toward closing the gaps and threatening Texas' social and economic future.*

# ***How financial barriers obstruct bachelor-degree attainment in Texas\****

\*All information below comes verbatim from *Ready, Willing & Unable: How financial barriers obstruct bachelor-degree attainment in Texas*, TG Research, December 2006

## **Community Benefits from higher education**

"Higher education fueled the Texas economic engine with \$33.2 billion per year." For every dollar invested in higher education, the return on investment in the economy was \$5.50. (Source: Office of the Comptroller, *The Impact of the State Higher Education System on the Texas Economy*, 2005)

Graduates with a four-year degree were 22 percent more likely to vote than high school graduates in the 2004 election. (Source: U.S. Census Bureau, "Reported Voting Rates in Presidential Election Years, by Selected Characteristics: November 1964 to 2004")

For every four-year degree holder who is incarcerated, there are 12 incarcerated individuals who only completed high school. According to the Institute for Higher Education Policy, less than one-half percent of four-year degree holders nationwide reported receiving public assistance in 2003. Similarly, studies have shown the unemployment rate is consistently and considerably lower for four-year degree holders than those with less education. (Source: U.S. Census Bureau, *Current Population Survey*, February 2005)

## **Barriers to higher education**

By the time students reach the ninth grade, a majority (61 percent) have already made a decision whether or not to try to attend college. (Source: *Advisory on Student Financial Assistance, Empty Promises: The Myth of College Access in America*, June 2002)

Low-income communities more often see the casualties of higher education. Pursuing a college degree entails substantial financial risk, especially for low-performing or working students...low income communities may see higher drop-out rates due to the rising pressure on those who must work and attend school full-time. (Source: U.S. Department of Labor, *Employment Standards Administration, History of Federal Minimum Wage Rates*)

Latinos and African Americans, who make up a disproportionate share of low-income students, tend to also have different concepts of financial assistance and affordability that are typically shaped by the social networks, norms, attitudes, and experiences of neighborhoods and communities. (Source: "The Meaning of Money: Perceptual Differences Between College Counselors and Low-Income Families About College Costs and Financial Aid", August 2006)

Socioeconomic variables and perceived cost become stronger factors as students progress through high school...By the time students are high-school age, roughly 66 percent of low-income families have saved less than 10 percent of the costs of higher education. (Source: "Parents' Views on the Value of a College Education and How They Will Pay for It," *Journal of Student Financial Aid* 27, no.1, 1997)

Most low-income parents are struggling just to pay rent and keep food on the table; many depend on the financial contributions of their children just to make ends meet. Within this context, the rising cost of college and the perception that it is not affordable deflates parental expectations for their children.

Most students want to attend college...However, achieving this dream becomes much more difficult for disadvantaged students who have lower incomes, especially if they are the first in their family to go to college. These students and their families are often either under-informed or misinformed about the cost of attending college, the amount of financial aid available and the complexity of applying for college.

A recent survey of California Latino students found that most overestimated the costs of attending public four-year universities, only 36 percent felt that the costs of attending college outweigh the benefits, and only 18 percent referred to loans as a way to pay for college. (Source: *Perceptions of College Financial Aid Among California Latino Youth, The Tomas Rivera Policy Institute, June 2006*)

## Graduation Rates

Race/Ethnicity	Percent by Year		
	1996	2000	2004
African American	69	77	83
Asian/Pacific Islander	86	89	93
Hispanic	64	73	78
Native American	74	79	84
White	83	87	89
State Overall	75	81	85

Source: TEA, *Secondary School Completion and Dropouts in TX Public Schools (2006)*

The recommended methodology is one of several that the National Center for Education Statistics (NCES) employed in a reanalysis of data reported by the state education agencies through the last several years.

Only 8.7 percent of students who graduated in 1998 did so under the Recommended option. Of the 2000 graduating class, 39 percent of students received a diploma with either Recommended or Distinguished credentials.

The proportion of graduates with Recommended or Distinguished credentials also considerably across race/ethnicity. For example, in the class of 2004, 60 percent of graduating African American students did so under either the Recommended or Distinguished curriculum. In contrast, 83 percent of graduating Asian/Pacific Islander students received a Recommended or Distinguished diploma.

Year	Percent by TEA Method	Percent by NCES Method
1996	75	66
1998	79	69
2000	81	71
2002	83	71
2004	85	77

Source: TEA, *Secondary School Completion and Dropouts in TX Public Schools (2006)*

Race/Ethnicity	Percent Curriculum Type in 2000		Percent Curriculum Type in 2004	
	Minimum	College Prep <sup>16</sup>	Minimum	College Prep
African American	74	26	40	60
Asian/Pacific Islander	44	56	17	83
Hispanic	65	35	32	68
Native American	63	37	35	65
White	57	43	30	70
State Overall	61	39	32	68

Source: TEA, 2000-2001 State Performance Report; 2004-2005 State Performance Report

## Upping the Standards

Freshman beginning high school in Fall of 2004 will graduate having taken the Recommended curriculum. Students entering ninth grade in 2007/08 must meet the additional requirements of a fourth year each of science and mathematics...One of the strongest predictors of both enrollment in college and completion of college is the level of the courses taken during high school, especially those in mathematics. (Source: Texas Education Agency, Briefing Book on House Bill 1, 79th Legislature, 3rd Called Session, June 2006)

The significance of this curriculum change cannot be overstated...The majority of Texas students in the class of 2009 will effectively be academically prepared for college, regardless of family background and income, school location, and parental expectations towards postsecondary education...Behind that instruction has been a promise -- sometimes implicit and at other times explicit -- that those who graduate with the right classes, college will be made accessible.

## Affordability

Concerns about college affordability undermine the good work of policymakers and college advocates in eliminating barriers to higher education.

Texas high school students who took college preparatory classes -- those required by the Recommended High School Program (Recommended) or the Distinguished Achievement Program (Distinguished) -- were much more likely to go to college than those who graduated with the minimum curriculum. Among Texas high school graduates of 2004-05, only a quarter of those with the minimum diploma went on to enroll in a Texas college later that fall. In contrast, over half of those with Recommended diplomas, and three-quarters of those with Distinguished diplomas, enrolled in college by 2005.

Curriculum	Not Enrolled %	Enrolled %	Total %	Total #
Minimum	75	25	100	66,380
Recommended	43	57	100	151,901
Distinguished	24	76	100	21,435

Source: THECB ad hoc report, 2006.

Economically disadvantaged, but academically prepared, high school graduates went to college at a much lower rate than their equally prepared but more financially secure, peers (47 percent and 65 percent respectively)

Table 6.2 Texas 2004-05 High School Graduates by Diploma Type, Family Economic Status, and Enrollment Status in Texas Higher Education in Fall 2005 <sup>3</sup>					
	Type of Diploma	Not Enrolled %	Enrolled %	Total %	Total #
Economically Disadvantaged	Minimum	83	17	100	24,069
	College Prep*	53	47	100	51,242
Not Economically Disadvantaged	Minimum	71	29	100	42,311
	College Prep*	36	65	100	122,094

Source: THECB ad hoc report, 2006.

\*Note: High school graduates with either the Recommended or Distinguished diplomas.

Economically disadvantaged, but academically prepared students chose two-year colleges at a much higher rate than four-year schools, 60 percent and 41 percent respectively. National Center for Education Statistics (NCES) research shows that those students starting at a two-year school, but with aspirations to transfer to a four-year program, are less likely to earn a degree within eight years of high school graduation than students who start at four-year institutions. (Source: Advisory Committee on Student Assistance, *Mortgaging Our Future: How Financial Barriers Undercut America's Global Competitiveness*, September 2006)

Table 6.3 Texas 2004-05 High School Graduates by Diploma Type, Family Economic Status and School Type Enrollment Status in Texas Higher Education in Fall 2005 <sup>5</sup>					
	Curriculum	2-yr Enrolled %	4-yr Enrolled %	Total %	Total #
Economically Disadvantaged	Minimum	89	11	100	3,969
	College Prep*	60	41	100	22,803
Not Economically Disadvantaged	Minimum	88	12	100	11,777
	College Prep*	47	53	100	70,229

Source: THECB ad hoc report, 2006.

\*Note: High school graduates with either the Recommended or Distinguished diplomas. Percentages are rounded.

34,786 Hispanics with college-preparatory diplomas were from economically disadvantaged families. This represents over half of all academically prepared Hispanic graduates. In contrast, only eight percent of white academically qualified high school graduates were from economically disadvantaged families. For each race/ethnicity group, those who were more financially secure enrolled in college at higher rates than their economically disadvantaged, but equally qualified, peers.

Table 6.4 Texas 2004-05 High School Graduates with College-preparatory Diplomas* by Family Economic Status, Race/Ethnicity, and Enrollment Status in Texas Higher Education in Fall 2005 <sup>6</sup>					
	Race/Ethnicity	Not Enrolled %	Enrolled %	Total %	Total #
Economically Disadvantaged	Hispanic	55	45	100	34,786
	African American	49	51	100	8,066
	White	50	50	100	6,707
	Other	35	65	100	1,683
Not Economically Disadvantaged	Hispanic	45	55	100	26,153
	African American	42	58	100	13,212
	White	31	69	100	76,599
	Other	34	66	100	6,130

Source: THECB ad hoc report, 2006.

\*Note: High school graduates with either the Recommended or Distinguished diplomas. Percentages are rounded.

An estimated 22,200 - 47,000 college prepared high school graduates from 2004 may not be able to earn a four-year degree by 2012 primarily due to financial barriers. 47,000 is the same figure as the goal for additional four-year degrees in the *Closing the Gaps* report.

Table 6.8 Estimated Texas 2003-04 High School Graduates by Family Income, by College Preparedness, Bachelor Degree Attainment, and Estimated Loss Degrees <sup>1,2</sup>										
2003 Family Income	2004 TX HS Graduates #	2004 TX HS Graduates %	College Prep (Algebra II)		College Prep and Earned a Bachelor's Degree by 2012			Projected Loss of BA Degrees Due to Financial Barriers		
			YES	NO	YES	NO	Method #1	Method #2		
			%	#	#	%			#	#
Under \$35,000	101,600	42%	66%	67,000	34,600	43%	28,800	38,200	24,800	14,100
\$35,000 to \$74,999	77,100	32%	75%	57,800	19,200	50%	28,900	28,900	17,400	8,100
\$75,000 to \$99,999	35,600	15%	84%	29,900	5,700	64%	19,100	10,700	4,800	
\$100,000 and over	25,500	11%	90%	22,900	2,500	80%	18,400	4,600		
Grand total	239,716*	100%	100%	177,600	62,000	100%	95,200	82,400	47,000	22,200

Source: NCES, ELS (2002); THECB and TEA ad hoc report (2006)

\*Note: Represents actual number from TEA, while others are estimates rounded to the nearest hundred based on a sample from NELS: 1988. Therefore, column totals will sum while row computations may not.

Method #1: computes the loss of bachelor's degrees based on the degree attainment rate of high-income graduates.

Method #2: computes the loss of bachelor's degrees based on the degree attainment rate of middle-income graduates.

	Race/Ethnicity	Not Enrolled %	Enrolled %	Total %	Total #
Economically Disadvantaged	Hispanic	55	45	100	34,786
	African American	49	51	100	8,066
	White	50	50	100	6,707
	Other	35	65	100	1,683
Not Economically Disadvantaged	Hispanic	45	55	100	26,153
	African American	42	58	100	13,212
	White	31	69	100	76,599
	Other	34	66	100	6,130

Source: THECB *ad hoc* report, 2006.

\*Note: High school graduates with either the Recommended or Distinguished diplomas. Percentages are rounded.

With more Texas high school graduates completing a college-preparatory curriculum, the inability to close the gap in four-year degree attainment by income level will produce even larger numbers of "lost" bachelor degrees. Students may be able to matriculate, but **unless college is made more affordable, college students will not be able to achieve their goal of earning a four-year degree. Eliminating these financial barriers would allow Texas to reach the Closing the Gaps goals for degree attainment.**

## Affordability II

For students attending Texas public four-year schools, tuition and fees represent only 30 percent of total costs, and just 16 percent of total costs at Texas public two-year schools.

Along with rent, utility bills, food, transportation, books, and supplies, the total cost of education can quickly add up to several times the cost of tuition and fees. Yet, these are all costs the student must pay and so they much be taken into account when considering student aid policy.

	Public 4-Year		Public 2-Year		Private 4-Year	
	Nation	Texas	Nation	Texas	Nation	Texas
Tuition and Fees	\$5,056	\$4,439	\$2,428	\$1,795	\$19,317	\$16,483
Books and Supplies	\$954	\$889	\$968	\$936	\$920	\$923
Room and Board*	\$6,789	\$6,533	\$6,321	\$5,440	\$7,237	\$5,951
Other Expenses*	\$3,012	\$3,185	\$2,861	\$2,959	\$1,975	\$2,397
Total	\$15,811	\$15,046	\$12,578	\$11,129	\$29,449	\$25,754

\*Used on-campus for private four-year schools and off-campus, not with family, for all public schools

Source: U.S. Department of Education, IPEDS (2004)

Texas remains a low-cost higher education state, especially for students attending four-year private schools. However, recent increases in public four-year tuition and fees have narrowed the gap in overall education costs between Texas and the nation to five percent.

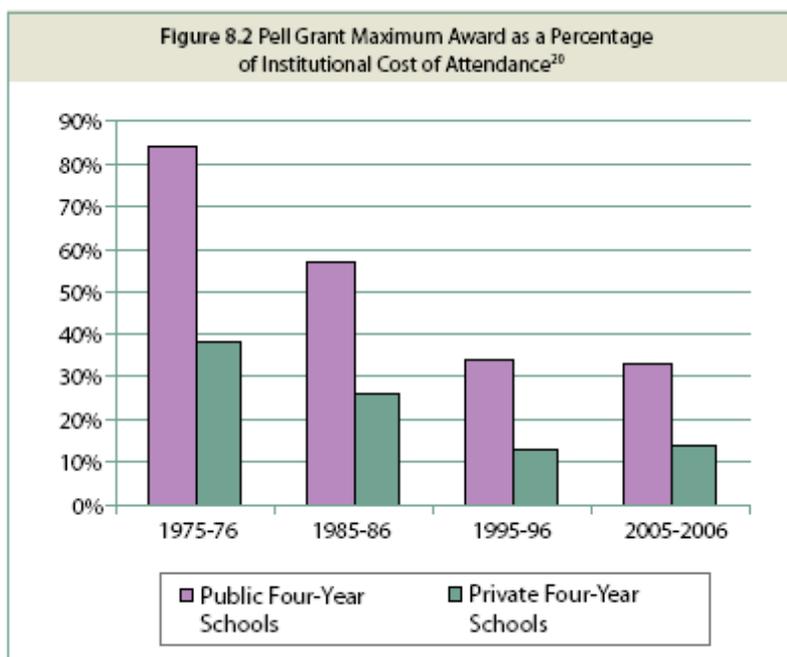
In 1976-1977, tuition and fees at public four-year schools nationally cost \$2,192 in constant 2006 dollars, and 77 percent of student aid was in the form of grants. In 2006-2007, tuition and fees at public four-year schools nationally cost \$5,836, and in 2005-2006 only 39 percent of aid was composed of grants. (Sources: The College Board, *Trends in College Pricing 2006*; *The College Board, Student Aid Tables and Charts, 1963-64 to 2005-06*)

In 2005, the median family income in Texas was more than \$6,000 below the national median (\$49,769 vs. \$55,832). Fourteen percent of Texas families in 2005 were living below the poverty line, compared to the national figure of only 10 percent. More than one-fifth of Texas children (those under 18 years old) lived in poverty in Texas in 2005.

## Pell Grants

The amount of Pell Grants awarded to Texas students has nearly doubled since Award Year (AY) 2000-2001 from \$572 million to just over \$1 billion in AY 2004-2005. However, the average Pell Grant award in Texas has grown at a more moderate rate from \$2,035 in AY 2000-2001 to \$2,501 in AY 2004-2005.

With the rise in cost of college, the buying power of the Pell Grant has actually declined over the last three decades. Nationally, in AY 1975-1976, the maximum Pell Grant covered 84 percent of the cost of attendance at a four-year public university. In contrast, only 33 percent of the cost of a four-year public university can now be met with a maximum Pell Grant award.



Source: ACSFA, *Access Denied* (2001); *The College Board, SAT Cohort Averages* (2006) and *FAQ about the new SAT* (2006)

## State Grants: Texas behind the national average

In AY 2003-2004, nationally, 15 percent of undergraduates received a state grant; in Texas, only nine percent received state-funded grants. Twenty-seven percent of Texas students received some form of federal grant. (Source: U.S. Department of Education, NPSAS)

Over half of all direct student aid in the United States is in the form of student loans. In Texas, loans to students represent two-thirds of all student aid. (Source: Texas Higher Education Coordinating Board, Bentson Report)

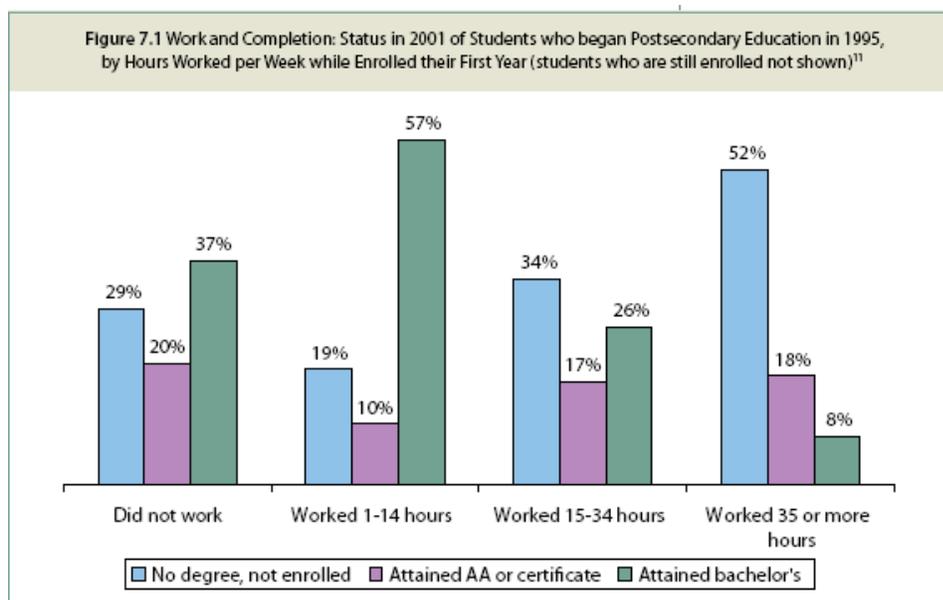
## Working and Going to College

During AY 2003-2004, 34 percent of Texas students with unmet need worked full-time while enrolled, 44 percent attended part-time and 45 percent delayed enrollment. (Source: U.S. Department of Education, National Center for Education Statistics, NPSAS)

Working while in enrolled is one way students can try to mitigate the costs of attending college, but working long hours while enrolled can have a detrimental effect on schoolwork and persistence to a degree. In Texas, three-fourths of undergraduates worked while enrolled; for those who did work, the average work week was 31 hours. (Source: U.S. Department of Education, National Center for Education Statistics, NPSAS)

Eighty-two percent of Texas students working full time attended school part time, compared to just 45 percent of Texas students working between one and 14 hours per week. (Source: U.S. Department of Education, National Center for Education Statistics, NPSAS)

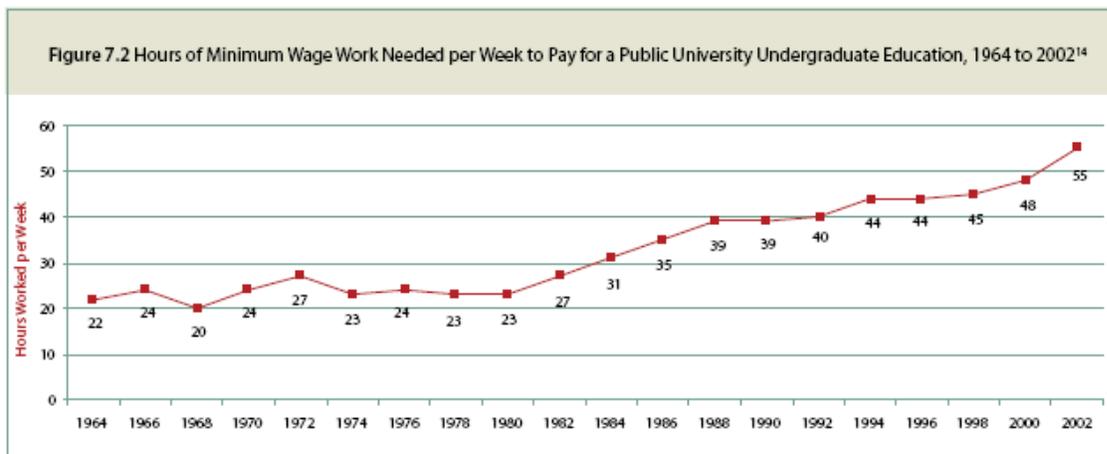
Only eight percent of students who began post-secondary education in 1995 and worked full time their first year had obtained a bachelor's degree by 2001, compared to 57 percent of those who worked only between one and 14 hours per week. (Source: U.S. Department of Education, National Center for Education Statistics, Beginning Postsecondary Students 2001)



Source: McMillion, (2005)

Retention research shows that persistence declines when students are less involved in campus life. Working full-time, often in off-campus jobs, undermines students' relationship to the school, jeopardizing their odds of earning a degree. Keeping workloads below 15 hours per week appears to improve one's chance of earning a degree, especially if that job is on campus. Unfortunately, 92 percent of Texas students who work while enrolled have off-campus jobs, and 97 percent of Texas students who work full-time have off-campus jobs. (Source: U.S. Department of Education, National Center for Education Statistics)

Nationally, from 1965 until 1981, an undergraduate could have paid for a year of education at a public university -- including tuition, food and housing -- by working about 24 hours per week at a minimum wage job...by 2002 an undergraduate would have had to work 55 hours per week every week of the year to pay for tuition, fees and living expenses associated with two semesters of attendance at public university. (Source: *I worked my way through college, you should too*, Post Secondary Education Opportunity, Number 125, November 2002)



Source: Postsecondary Education Opportunity, #125 (2002)

## Recommendations

1. **Increase need-based grant aid.**

2. **Fully fund the TEXAS Grant and Texas Educational Opportunity Grant programs.** The 47,000 bachelor degrees lost due to financial barriers occur exclusively among high school graduates who take college-preparatory curriculums. The TEXAS Grant focuses on the most academically prepared and financially needy, which overlaps with the targeted 47,000 college-qualified students.

\*All material comes straight from December 2006 TG report "*Ready, willing and unable: How financial barriers obstruct bachelor-degree attainment in Texas*"

# *What Others Are Saying*



*Editorials and articles on TEXAS Grants and Texas' financial aid crisis.*

# Financial aid penalty plan is unique to Texas

■ Critics say push for loans, tying grants to on-time graduations could hurt the needy

By MATTHEW TRESAUGUE  
HOUSTON CHRONICLE

Gov. Rick Perry's call for college students who don't graduate on time to repay grant money might discourage low-income and some Hispanic students from pursuing higher education, some critics say.

The governor is seeking an overhaul of the state's financial aid programs, with the goal of encouraging more students to graduate faster. His plans include more money for loans and additional requirements for those receiving grants.

The grants, which typically don't have to be repaid, would become zero-interest loans for those who do not graduate within the specified time of their certificate or degree program. No other state has such a policy that penalizes students who take longer to earn a degree, education experts said.

The proposal's critics said they worry about students from poor families losing access to universities at a time when state leaders, including Perry, are promoting greater enrollment.

State Sen. Rodney Ellis, a Houston Democrat, said that lawmakers debated financial aid at length during the previous legislative session, producing the consensus "that we cannot add more restrictions and rely on more loans if we hope to close the gaps and open the door to college to more Texans."

Ellis would rather see an expansion of the TEXAS Grants program, which provides money for those who show financial need and complete the required coursework in high school or at a community college. About 25,000 eligible students did not receive the grant last year for lack of funds.

"The bottom line is we're trying to get more high-tech graduates, and we need to get them in the door," said Jeremy Warren, a spokesman for Ellis. "Our competitors are doing a better job."

## Emphasis on grants

Other states rely more on grants because the federal government is the primary provider of student loans. New York, for

example, spent \$910 million, or \$47 per capita, in grant aid in 2005, according to the National Association of State Student Grant and Aid Program's most recent survey.

Texas, meanwhile, spent \$362 million, or \$16 per capita.

Donald Heller, an associate professor at Pennsylvania State University's Center for the Study of Higher Education, said several states are trying to be more innovative with financial aid — to get more from their investment — but few are considering more loans.

"If your goal is ensuring access, grant aid is the best mechanism after low tuition," Heller said. "If you say 'loan,' you're scaring the very people you're trying to attract."

Grants, not loans, influence a prospective student's decision to enroll, two University of Texas System attorneys wrote in a recent report on financial aid strategy to a federal commission. Loans and on-campus jobs, however, may increase retention and graduation rates.

In response, U.S. Education

## COLLEGE ASSISTANCE

### Current funding

- **TEXAS Grant:** \$331.7 million
- **Texas Educational Opportunity Grant:** \$9 million
- **Tuition Equilization Grant:** \$211.9 million
- **B-on-Time Loan:** \$20.7 million
- **Other aid programs:** \$28.3 million
- **Total:** \$601.5 million

### Proposed funding

Would combine TEXAS Grant, Texas Education Opportunity Grant and Tuition Equilization Grant into new Tuition Assistance Grant:

- **TEXAS Grant:** \$197.3 million
- **Texas Educational Opportunity Grant:** \$2.5 million
- **Tuition Equilization Grant:** \$153.5 million
- **Tuition Assistance Grant (new):** \$139 million
- **Texas Technology Grant (new):** \$43.7 million
- **B-on-Time Loan:** \$405.3 million
- **Other aid programs:** \$23 million
- **Total:** \$964.3 million

Secretary Margaret Spellings called for increased spending on need-based Pell Grants.

Perry has proposed increasing the overall outlay for financial aid \$362.8 million, or 60 percent. Fewer dollars would be allocated for grants, while the interest-free B-on-Time loan program would grow from \$20.7 million to \$405.3 million a year.

Under the four-year-old program, the state forgives the loans for students who graduate in four years with a B average. The program was conceived as a way to help middle-income students and parents to pay tuition and fees.

The vast majority of new students will be Hispanic, according to population projections. Yet an aversion to loans is common among students from first-generation college, immigrant or low-income backgrounds, researchers said.

National surveys show that needy Hispanics are less likely to borrow than other ethnic groups. For example, students graduate from the University of Texas at El Paso, where four-fifths of the enrollment is Hispanic, with the lowest average indebtedness among public research institutions in the country.

### Long way around

Short on cash, many students leave school for semesters at a time to work or take fewer classes because the textbooks are too expensive, causing them to graduate in eight, nine and even 10 years, if at all, experts said.

The reasons behind the loan phobia, observers say, include lack of knowledge about financial aid, fear of debt and sticker shock.

"It's not that they won't take loans, but they're reluctant," said Deborah Santiago, vice president for policy and research at Excelencia in Education, a nonprofit based in Washington, D.C. "When they see that tuition is \$20,000, which is as much as their family makes in a year, they fear the implications of not finishing."

Jesus Vigil, a University of Houston student who receives a TEXAS Grant, said tying more requirements to aid would not send a welcoming message to the state's poorest students.

CONTINUED ON  
NEXT PAGE

*Cont. from "Financial..."*

"I don't know anyone who graduates in four years," he said. "It could hurt some people. The University of Houston is a commuter school, and nearly everybody works."

Vigil is on pace to earn a bachelor's degree in communications in five years despite working two jobs to help with the mortgage on his mother's house. "If it weren't for those grants," he said, "I wouldn't be able to afford college."

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# Price of college rising too quickly for aid to keep up

Annual price grows 6% at four-year public schools, report finds

By Justin Pope  
ASSOCIATED PRESS

It's what passes for good news right now for students and parents: This year, the price of college went up only somewhat faster than the cost of everything else.

Tuition and fees at public four-year colleges this fall rose \$344, or 6.3 percent, to an average of \$5,836, according to the College Board's annual Trends in College Pricing report, released Tuesday.

Accounting for inflation, the increase was only 2.4 percent, the lowest in six years.

But published prices are up 35 percent over the past five years, the largest such increase since the College Board began keeping data in the 1970s.

Even though most students don't pay the full list price, financial aid isn't keeping up.

The College Board study found that tuition and fees in Texas rose, on average, 6 percent to \$1,604 at community colleges in the past year, 8 percent to \$5,940 at public four-year schools and 7 percent to \$19,225 at private schools.

Accounting for grant aid from the government and other

sources the actual cost for the typical student nationwide is substantially lower than the sticker price: about \$2,700 in 2006-07. But that's 8 percent higher than last year.

At private four-year colleges, published tuition and fees rose 5.9 percent to an average of \$22,218. Accounting for financial aid, the net price is \$13,200.

Public two-year colleges, which educate nearly half of American college students, had the best showing. There, tuition and fees rose just 4.1 percent to \$2,272.

Price reductions in California, home to more than a fifth of the nation's two-year public college students, checked the average increase nationally.

Community colleges remain a tremendous bargain relative to other schools. Accounting for financial aid, the College Board estimates, their average net cost actually declined this year and is less than \$100.

At the four-year state school level, the price increases baffle many students and parents because state finances are fairly healthy.

Spending by states on higher education has increased nearly 10 percent over the past two years, or by about \$6 billion. But the extra funds have merely slowed tuition increases, not stopped them.

Spending from all sources on student aid rose 3.7 percent last

year to \$134.8 billion. Over the past decade, it has nearly doubled, even accounting for inflation. But on a per-student basis, grant aid is just inching upward. Students are borrowing the rest, often from private lenders.

Financial aid in Texas has increased in recent years but still falls far short of the need, according to studies by the Texas Higher Education Coordinating Board and other organizations.

For example, funding for the state's main need-based grant program, the Texas Grant, has increased nearly sixfold since the 2000-01 state budget, to \$332 million.

However, more than 70,000 students eligible for a grant aren't getting one in the current biennium because full funding would require nearly twice that sum.

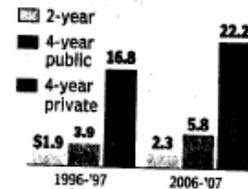
Colleges defend the price increases by pointing to growing enrollment demands and saying that teaching and research aren't like other businesses, where the main costs can often be reduced through greater efficiency without harming quality.

Additional material from staff writer  
Ralph K.M. Haurwitz.

## Costly college

College prices have been sharply rising in all sectors since the mid-'90s. Tuition and fees at public four-year colleges rose 6.3 percent this academic year.

Average published tuition and fees, in thousands of '06 dollars



Distribution of undergraduates at four-year institutions, by published tuition and fees in '06 dollars



Source: College Board

NOTE: Numbers are rounded.

# College study: Poorest students not getting help

Many institutions use funding to influence where higher-income students attend

By Justin Pope  
ASSOCIATED PRESS

An independent report on higher education flunks most states when it comes to affordability while giving better but still mixed grades in other areas, such as college participation and completion rates.

The biennial study by the National Center for Public Policy and Higher Education evaluates how well higher education is serving the public—and leaves little doubt where the system is falling. Forty-three states, including Texas, received "F"s for affordability, up from 36 two years ago. The others got "D"s, except Utah and California, each of which got a "C."

The report card uses a range of measurements to give states grades on the performance of their public and private colleges.

The report card gave half the states "A"s or "B"s for student preparation, considering measurements such as math assessment and Advanced Placement scores. Most states also got "A"s or "B"s in degree completion.

The affordability grade is based on how much of the av-

erage family's income it costs to go to college.

Almost everywhere, that figure is up, even accounting for financial aid, which has risen but not as fast as tuition.

The report card notes that increases in state and federal aid, though substantial, haven't kept up with demand and prices. The study, along with a separate report published last week by the Education Trust, a Washington think tank, also says colleges aren't doing enough to help the neediest students.

Colleges' own funds, which comprise the largest portion of financial aid, are increasingly being used to lure high-achieving students who boost a school's reputation but might not need financial help to go to college.

"There's been a sea change in the last decade and a half over how (colleges) spend their money," National Center President Patrick Callan said. "It used to be about giving students opportunities they wouldn't otherwise have. Now it's about giving them money to go to one college instead of another."

The Education Trust study found that the average student from the wealthiest families gets nearly as much grant aid as the average student from the poorest.

CONTINUED ON  
PAGE 2

Cont. from "College"...

In Texas, studies show, low-income students attend college and graduate at much lower rates than their more affluent counterparts. They also pay a greater percentage of family income for college than higher-income students.

Inadequate government funding also takes a toll. Thousands of students who are eligible for the state's primary need-based grant won't get one this year because the program is underfunded.

College tuition is going up in Texas; meanwhile, overall

funding for higher education hasn't kept pace with enrollment increases and inflation costs, according to a report by the Southern Regional Education Board.

A state grant program formed to help lower-income students with college costs is struggling to keep up with demand. Texas Grants is now \$200 million short of what it needs to fund all eligible students.

Additional material from staff writer Laura Heinauer.

# Cost of college often the hardest test

Fifth in an occasional series

By Ralph K.M. Haurwitz  
and Laura Heinauer

AMERICAN-STATESMAN STAFF

Kathy Martinez, a senior at Texas State University-San Marcos, is grateful for state and federal grants that cover her tuition and books. But she sacrifices study time by working at a Red Lobster restaurant to pay rent and other bills. And she's taken out about \$5,000 in loans.

It's tough to make ends meet, said the 22-year-old criminal justice major, admitting that she's sometimes late paying the rent as she chooses among food, lights and other expenses. She depends partly on free food at work but conceded, "Those Cheddar Bay biscuits can kind of get to you after a while."

Martinez is one of the more fortunate low-income students in Texas.

Thousands of students who are eligible for a state grant are not getting one because the program is underfunded.

Low-income students in Texas, most of whom are members of minority groups, attend college and graduate at much lower rates than their more affluent counterparts, largely because too little has been done to address the biggest barrier to a college degree: cost.

Needy students are taking on sizable debt, owing an average of \$21,590 by the time they graduate from a Texas public university.

And many, like Martinez, work long hours even though studies show that students who work more than 15 hours a week are less likely to stay in school than students who have more time to hit the books.

Current educational and demographic trends — notably, the rapid increase in the state's number of Hispanics, whose college graduation and household income levels are the lowest of any group — point to a worrisome future for Texas, with a less capable work force and deeper poverty.

Financial aid is an essential tool in any effort to reverse these trends. But such aid, while rising, has not kept pace with college costs, and the widening gap has made higher education less affordable for students from low- and moderate-income families.

Studies show that the price of a college degree, when measured as a percentage of family income, falls heaviest on the neediest students in Texas, even after financial aid is taken into account.

The problem is not confined to Texas. Nationwide, good students from high-income families are three times more likely to earn a bachelor's degree than equally qualified students from poor families.

"Kids born into the top income quartile have glorious futures," said Thomas Mortenson, a policy analyst with Postsecondary Education Opportunity, an Iowa-based research organization. "Kids born into the bottom quartile? Not very many of them are going to be able to participate in the American experience."

It wasn't supposed to turn out this way.

After President Lyndon Johnson signed the Higher Education Act 40 years ago at Texas State, his alma mater (then known as Southwest Texas State College), financial barriers fell and the achievement gap between rich and poor narrowed. But since about 1980, the gap has widened as state and federal governments have put a higher priority on building prisons, providing health care and cutting taxes, Mortenson said.

Last year, college students in Texas received more than \$4 billion in financial aid, including grants, loans and part-time campus jobs known as work-study. More than three-fourths of the aid came from the federal government. Loans constituted more than half.

Studies show that many low-income students are leery of taking out loans out of concern that the debt will stick with them for decades and affect decisions on whether to buy a house, get married or have children.

A closer look at one of the state's aid programs shows that need far outstrips supply.

The state's primary grant program, the Texas Grant, awards as much as \$4,180 annually to low-income students who took college-preparatory courses in high school. But more than 31,000 students — more than a third of those eligible — got nothing from the program in the past two years.

And in the next two years, at least 54,000 eligible students won't receive a Texas Grant. The Legislature appropriated \$332 million for the biennium that began this fall, almost \$200 million short of what is needed, according to the Texas Higher Education Coordinating Board.

Students make up shortfalls in their financial aid packages by taking on additional roommates, eating a steady diet of ramen noodles, working extra hours or racking up credit card debt. Some simply drop out.

Randi LeeAnn Cruz, 23, an Austin Community College student majoring in nursing, said financial struggles can affect relationships.

Cruz, who recently got married, said her husband's income now enters into the federal formula used to calculate financial

need. As a result, her aid package went down \$3,000 a semester.

"Anytime you have to ask someone else for money, it's hard," she said. "Thankfully, his family helps us pay for day care. Otherwise, I might have to reconsider school next semester."

Cruz has one child, and the cost of child care isn't considered in financial aid calculations. About one-fourth of undergraduate students in Texas are parents.

Cruz works about 20 hours a week at ACC's financial aid office and says the experience has been eye-opening.

"I've see some people leave with tears in their eyes," she said. "They're just trying to get ahead, and sometimes they just walk out because they don't think there's any hope anymore."

Paying for college is especially daunting for students from low- and moderate-income families, according to an analysis by Postsecondary Education Opportunity. In Texas, students whose parents make less than \$20,000 a year have the heaviest burden: Their costs, including those covered by loans and work, total three-fourths of their parents' income on average.

Furthermore, the state's public institutions of higher learning, which about 90 percent of students in Texas attend, aren't the bargains they once were.

The state's 35 public universities have raised tuition and fees 76 percent in the past four years. Other costs bring the total annual price to several hundred dollars more than the national average, according to the non-profit Texas Guaranteed Student Loan Corp.

Costs are poised to rise still higher as university governing boards continue to exercise tuition-setting authority that state lawmakers ceded to them in 2003. The governing boards say the increases are essential because of the declining share of university budgets appropriated by the Legislature.

Tuition and fees at Texas State are going up 7 percent next fall. An advisory committee at the University of Texas has recommended a 9.6 percent increase next year and a 1.3 percent boost the following year.

The state's prepaid tuition program, under which families can lock in future tuition and fees at current prices, was intended to help guard against sticker shock. But the plan has been closed to new participants for three years because of the sharply rising tuition at some schools.

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cont. from "Cost".

Without more financial aid, Texas will be unable to achieve the goals of Closing the Gaps by 2015, the state's higher education plan, which seeks to bring college enrollment and graduation rates up to par with those of other large states, said Raymond Paredes, the state's commissioner of higher education.

The state is already falling short of interim targets for Hispanics.

"We're going to need hundreds of millions of dollars more in financial aid from all sources: federal, state and private," Paredes said.

Such a windfall doesn't seem likely to happen anytime soon.

The nonprofit National Center for Public Policy and Higher Education gave Texas a grade of D for affordability, citing a "very low" investment in aid. Texas lawmakers have historically shown a preference for programs that demand a certain level of academic performance.

Students receiving the Texas Grant must maintain a grade point average of 2.5 on a 4.0 scale. Recipients of the state's interest-free B-on-Time Loan can have it forgiven altogether, but in most cases only if they graduate in four years with a B, or 3.0, average.

Some states are more generous and attach fewer strings.

In the 2003-04 school year, New York awarded \$859 million in need-based grant aid to students at public and private colleges, enough to provide every eligible student with a grant and more money overall than any state. Texas spent \$344 million on need-based grants that year. New York requires students to maintain just a 2.0 grade point average by their fourth semester to remain eligible.

Indiana has seen its college-going rates soar to 10th in the nation partly because of a program that covers the full cost of tuition and fees for low-income students at participating public institutions, according to officials of that state's Commission for Higher Education. Students must abide by a pledge they sign in middle school to commit no crimes, stay away from drugs and alcohol, and graduate from high school with at least a 2.0 average. A similar program in Oklahoma covers tuition but not fees.

Colleges in Texas and elsewhere must work harder to cut costs, use faculty more effectively and otherwise reduce pressure to raise tuition, said Joni Finney, vice president of the National Center for Public Policy and Higher Education.

"Financial aid has been going up. It just can't keep up with tuition and the rising cost of the

enterprise," Finney said. Attitudes will need to change, as well.

"Where I come from, college is still seen as a place for the smart people who work in tall buildings," said Ashley Krejci, 21, who grew up in rural West Texas and is now a senior majoring in criminal justice at Texas State.

She works up to 40 hours a week and will have more than \$5,000 in debt after graduating. But she has no regrets.

"If there was something I could say to the people back home, it would be that even though it seems like a lot of money, it is possible to do it," Krejci said. "College truly is the best investment you can make at this time in your life."

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### Texas financial aid

**\$4 billion** Need-based aid awarded for 2003-04 school year

**540,748** Students at public and private colleges and universities who received need-based aid

**78%** Need-based aid that comes from federal programs

**\$5,187** Average difference between a student's financial aid and federally determined actual need

**\$21,590** Average five-year debt of a public university student borrowing to meet need

**31,000** Needy students eligible for a grant under the state's main grant program who did not receive one

**54,000** Needy students who won't get the main state grant in the next two years

Sources: Texas Higher Education Coordinating Board, Texas Guaranteed Student Loan Corp.

### The role of family income

#### College-prepared high school graduates

**62%** from families with incomes greater than \$75,000 a year earn a bachelor's degree.

**21%** from families with incomes less than \$25,000 earn one.

#### Eighth-graders' expectations

**92%** with family incomes greater than \$75,000 expect to finish college.

**59%** with family incomes less than \$25,000 expect to finish.

Sources: U.S. Advisory Committee on Student Financial Assistance, Texas Guaranteed Student Loan Corp.

### Myths and realities

**Myth:** Students in families with very low incomes receive ample financial aid.

**Reality:** Students from low- and moderate-income families in Texas and elsewhere must shoulder — through loans, work-study and scrimping — a much larger share of college costs, as a percentage of family income, than students from affluent families.

**Myth:** You can work your way through college as people did in the past.

**Reality:** The cost of college has gone up sharply relative to wages and inflation. A student earning minimum wage would have to work 55 hours a week year-round to cover the full cost of attending a public university.

**Myth:** College is a bargain in Texas compared with other states.

**Reality:** Although tuition and fees at a four-year public university in Texas still cost less than the national average, the difference is narrowing. And food, housing and transportation cost more in Texas, bringing the average sticker price, weighted for enrollment, for the 2004-05 academic year to \$15,766, or \$552 above the national average.

Sources: Postsecondary Education Opportunity, Texas Guaranteed Student Loan Corp.

### Burden heaviest for neediest

Lower-income students pay a greater percentage of family income for college than higher-income students do. Figures are for undergraduates supported by parents and enrolled full time at public universities in Texas in 2004.

Parents' income	Annual cost of college to family*	Average percentage of income needed to pay cost
\$0-\$19,999	\$8,343	75%
\$20,000-\$39,999	\$9,764	33%
\$40,000-\$59,999	\$12,483	25%
\$60,000-\$79,999	\$13,172	19%
\$80,000-\$99,999	\$14,242	16%
\$100,000 or more	\$14,902	11%

\* Annual college cost is the average sum of tuition, fees, room, board, books, supplies, transportation and other expenses, minus grants. Students typically cover the net cost with loans, part-time jobs and family contributions.

Source: Postsecondary Education Opportunity

Mary Coppinger AMERICAN-STATESMAN

# Messing with success

Texas Grants have provided thousands of young people with the means to get a college education. Why change a winning formula?

**S**INCE its launch five years ago, the state-funded Texas Grants program has paid half a billion dollars in public college tuition and fees for more than 115,000 high school graduates certified as financially needy. Minorities, many the first in their family to attend college, received 60 percent of the grants. During that period, grant recipients graduated or made scheduled progress toward their degree at the same or higher rates than students who received no grant.

Texas is well below the national average for college graduates. With Texas Grants' contribution to closing that gap, one would think Texas lawmakers would allow the program to continue on its successful way. Instead, a bill in the Texas Senate would combine Texas Grants with another educational assistance effort directed toward middle-income students, B-On-Time. The proposal would require students to graduate in four years or have their third- and fourth year grants converted into loans that must be repaid.

With its added restrictions, such a merger would severely damage the effectiveness of Texas Grants, according to Sen. Rodney Ellis, D-Houston, who wrote the original legislation creating the scholarship program after learning about a similar effort in Georgia. As a proud parent of an overachieving program, he's trying to convince his colleagues that it doesn't make sense to undermine one of the few proven producers of minority college graduates at a time when Texas needs an expanded pool of educated workers to bolster economic development.

"I think instead of closing the gap between those who have a college degree and those who don't, that this will widen the gap," says Ellis.

According to figures supplied by the Texas Higher Education Coordinating Board, combining Texas Grants and B-On-Time would result in more than

26,000 students losing Texas Grant eligibility next year if current recipients are not grandfathered in for four year eligibility. Another 20,000 students would lose grant eligibility the following year.

Some Texas Grant students take longer to graduate than nongrant graduates. This should come as no surprise, considering that participants often lack family support and must work to pay for books, room and board. However, statistics show that after five years, grant recipients graduate at the same rate as nongrant students from universities, and at higher rates than nongrant counterparts at community and technical colleges.

Proponents of the program merger tout it as a way to move students through the public university system faster, freeing up space at crowded state institutions. That ignores the fact that courses necessary to graduate often are unavailable when students need to take them. Also, some students change majors as they mature and discover new fields of endeavor.

Meanwhile, lawmakers are keeping hands off another state educational assistance program, the Tuition Equalization Program, which subsidizes Texas students attending private colleges in the state. It provides funds to make up the difference between state and private school tuition. It seems a strange ordering of priorities to impose restrictions on low-income students receiving state grants for public colleges while continuing to provide unrestricted subsidies for students attending private institutions.

As Ellis correctly points out, no one is advocating cutting back on Tuition Equalization or B-On-Time funding. However, endangering Texas Grants, the state's most successful college assistance program for needy students, doesn't make fiscal or educational sense either. Lawmakers shouldn't tinker with what isn't broken.

# Don't further shortchange students at public colleges

**T**he Legislature must start treating Texas public university students as well as it does private college students when it comes to financial aid.

Students who receive financial aid grants from state programs must jump higher academic hurdles if they attend public universities than if they attend private ones. The state's main grant programs are the TEXAS grants for public colleges and the Tuition Equalization Grant program for students attending private schools.

State Sen. Rodney Ellis, D-Houston, is rightly pushing to level that playing field. The Legislature needs to address the inequities in the programs and, at the very least, maintain the current level of financing for the TEXAS grant programs even if that means cutting the grants for private colleges.

The equalization grant program serves an important purpose. Private colleges and universities, ranging from the academically elite to religious and specialty schools, are vital to the state's mix of higher education institutions. But Texas' public institutions educate 10 times the number of students. State grants for needy students should reflect that reality.

Since 2000, the state has awarded nearly as much money in need-based tuition grants to students attending

private colleges (\$513.3 million) as it has to TEXAS grant students attending public schools (\$558.6 million). In these tight budget times, the Legislature is considering cutting the TEXAS grant program. It could avoid that by diverting a portion of the Tuition Equalization Grant funding to TEXAS grants. That makes economic sense, considering enrollment figures.

There are other inequities, too. To receive TEXAS grants, public school students must take nine credit hours per semester; private school students who get equalization grants are required to take only six credit hours. State law requires TEXAS grant students to maintain a 2.5 grade point average, but there is no similar requirement for equalization grant recipients.

There shouldn't be lower standards for private than public college students. Also, students who chose private schools can, and in some cases do, get both types of need-based grants. But TEXAS grant recipients are not eligible for Tuition Equalization Grants.

It's very short-sighted to cut the state's most successful tool for helping needy students pay for college.

Those students are the potential scientists, teachers, computer engineers, nurses, entrepreneurs and inventors the state will need to keep its economy vital.

# It ain't broke — yet

■ Texas lawmakers should not mess with the successful TEXAS Grant program.

In its five years of operation, the TEXAS Grant program has helped more than 115,000 students — including more than 18,000 African-Americans and more than 64,000 Hispanics — pay tuition and fees at colleges and universities.

By those numbers alone it should be evident that the grants, which are available to students with limited resources to pay for higher education, are an important tool for preparing a work force that encompasses increasing numbers of racial and ethnic minorities.

But the Legislature is considering budgeting and other changes that are likely to undermine a successful program.

To qualify for the Toward Excellence Access and Success Grant program, students must complete the "recommended" or "distinguished" high school curriculum, keep a 2.5 grade point average in college and come from families that can contribute only \$4,000 to their college education. Grants, which average \$3,590 a year for four-year schools and \$1,270 for community colleges, can be renewed for up to six years or until a degree is completed, whichever comes first.

The budget approved by the Senate includes a pool of \$408 million for four financial aid programs. Senate Bill 1 would allocate \$294 million to TEXAS Grants for the 2006-2007 biennium. On one level, that's a victory for the program's supporters — earlier proposals would have provided only \$194 million. However,

even the higher number represents a \$30 million cut from current funding.

The House's budget includes \$322 million for the TEXAS Grant program.

Besides considering changes in the program's funding, legislators also are weighing restructuring.

One proposal would require students to carry 30 hours in an academic year, up from the current nine hours a semester — a move that some critics say would put an added burden on students who hold jobs while in school, as many TEXAS Grant recipients must.

Another proposal would provide grants for the first two years of school but would require students to pay back the state for subsequent years' grants if they don't graduate in four years.

This would essentially tie TEXAS Grants to the B-On-Time program that provides for state loans to be forgiven if students graduate in four years with a B average.

Figures from the Texas Higher Education Coordinating Board show that TEXAS Grant recipients tend to take longer than four years to graduate. But within five years of entering school, TEXAS Grant students are graduating at almost the same rate as other students.

It's understandable that officials are searching for ways to educate students at lower cost to the state. But at what price?

If tinkering with proven programs discourages the neediest students from tackling higher education and completing their degrees, the state loses in the end.

# Texas Grants, Not Loans

## Changes hurt college students who need help

**L**et's say you're a high school student in West Dallas eager to attend college. And you're one of many Texas students whose mom and dad work one, maybe two jobs and still can't afford college.

What do you do?

Take your lumps, if Texas senators have their way.

Senators are trying to revamp a public college grant program for students who graduate high school with a 2.5 average. The chamber's budget folds the Texas Grant fund into the B on Time loan program.

If the new arrangement passes, Texas Grant recipients would need a B average each year to keep qualifying for aid. And they must graduate from college in four years. If they fail either requirement, their grants turn into loans and they must pay back all or a portion of them.

Coffee cups may be clanging down right now. *Whaddya talkin' about down there at The Dallas Morning News? You want those kids to take a lifetime to graduate? You afraid*

*of standards?*

No, we don't favor the school-forever approach. Nor do we fear standards. We've supported tough ones in Texas and backed President Bush's No Child Left Behind initiative.

But Texas Grant students take longer to graduate because they work to pay for room, board and books. Suggesting they graduate in four years will mean many don't graduate at all. The Texas Higher Education Coordinating Board estimates 26,000 Texas Grant recipients could lose their aid.

And about that B-average standard: Students who receive state grants to attend private colleges don't have to maintain a B average. Nor must they graduate in four years. We don't hear senators complaining about them.

The point is that Texas needs to find ways to help students from poor families graduate from college. They're part of our economic future. For the sake of the students and the state, the Senate needs to take this proposal out when House and Senate budget writers create a final budget.

# Private college aid gets scrutiny

## Half of state grants go to such schools despite smaller enrollments

By Laura Heinauer  
and Ralph K.M. Haurwitz

AMERICAN-STATESMAN STAFF

The state has awarded nearly as much money in need-based grants to students attending private colleges in the past six years as it has to public college students, even though the public school population is 10 times larger.

The Legislature began providing public money to students at private colleges in Texas more than 30 years ago, but the practice has come under scrutiny during the current legislative session as lawmakers debate whether and how to revamp various aid programs.

Questions also have been raised about the fact that state law does not require students receiving state aid at Baylor University, Southern Methodist University and the other private schools to carry as many credits

or meet the same grade-point averages as their counterparts at the University of Texas, Texas State University-San Marcos and other public schools.

"There's no accountability for it," Charles Miller, a former chairman of the University of Texas System's governing board, said of the private school aid. "That makes me uncomfortable. It's time for a public examination of it."

Texas is one of about 30 states that give financial aid to students at private colleges. Such aid saves states money in the long run because it would cost even more to add capacity to public schools to accommodate those students, said Tony Pals, a spokesman for the National Association of Independent Colleges and Universities.

But critics say the practice amounts to a voucher system for private colleges.

Some of the critics say public funds should go only to public institutions. Others say the portion of aid going to private school students is too high in states such as Texas.

"It's an old debate, but it's still very much alive," said Clara Lovett, president of the American Association for Higher Education.

The current debate has been prompted largely by state Sen.

**CONTINUED ON  
NEXT PAGE**

## Cont. from "Private..."

Rodney Ellis, D-Houston, who authored 1999 legislation creating the TEXAS Grant program, which aids needy students.

In the past six years, public college students have received nearly \$559 million in TEXAS Grants. During the same period, private college students received about \$89 million in TEXAS Grants and nearly \$424 million in Tuition Equalization Grants, which are available only to such students, for a total of \$513 million.

In 2003, according to state data, about 33,000 equalization grants, averaging \$2,400, were awarded. About 67,800 TEXAS Grants, also averaging \$2,400, were awarded that year.

Forty-three private colleges in Texas have benefited from the two grant programs, with Baylor students receiving the most state aid in the six-year period, nearly \$63 million. Students at Rice University, which has a multibillion-dollar endowment, received \$12.3 million.

Ellis said he does not oppose aid to private school students. He said he decided to call attention to the issue when it became apparent that the TEXAS Grants program was facing a \$30 million cut under a Senate-approved spending plan for the next two years.

In addition, he said, some legislators proposed stiffer academic performance and course-load requirements for TEXAS Grant recipients but not for recipients of Tuition Equalization Grants, also known as TEGs.

Currently, state law requires TEG recipients to take at least six credit hours per semester; students receiving the TEXAS Grant, most of whom attend public schools, must take nine. Additionally, the TEXAS Grant requires students to maintain a 2.5 grade-point average in college, but there is no similar requirement for TEG recipients.

"It just defies good public policy to have students get a grant from the state to go to private colleges and to be held to a lower standard than ones going with a grant to a public university," Ellis said.

His proposal to impose the TEXAS Grant requirements on TEG recipients hasn't made it out of committee.

However, lawmakers are considering a separate proposal, supported by private colleges, that would require that students in both programs take at least 24 credit hours per year.

There would also be limitations on the number of years students can remain eligible. Lawmakers are continuing to debate whether there should be an identical grade-point requirement for both programs.

Proponents of public aid for private school students say that such aid helps ensure that low-income students, many of whom are members of minority groups, have a chance to attend private schools.

The number of minority students has doubled at private

schools in Texas in recent years, said Carol McDonald, president of Independent Colleges and Universities of Texas Inc., which represents those schools.

"You don't want finances to be the principal point of decision when a student is trying to choose what college is best for them," McDonald said.

Adopted in 1971, the TEG program was created to help ease the baby boom generation's demand for space in Texas' public universities by making private schools more affordable. Over the years, Capitol observers say, the program enjoyed important allies, such as former Sen. Grant Jones of Abilene, onetime chairman of the Senate Finance Committee.

"The land, the buildings, the equipment—if you think about it, what keeps tuition low at state universities is the fact that the taxpayers put a lot of other money into it," McDonald said.

"If you get students to enroll in private universities, even if they receive the Tuition Equalization Grant, you are actually saving money."

It's unclear how financial aid will shake out this session. Ellis wants to boost funding for TEXAS Grants, but Lt. Gov. David Dewhurst, who presides over the Senate, wants to pump more money into a loan program instead. Private schools are lobbying for the TEG, which lawmakers two years ago cut to about \$70 million a year from \$82 million.

George Martin, president of St. Edward's University in Austin, made the TEG a focus of his annual State of the University speech this year, and some schools, such as Texas Lutheran University in Seguin, have posted sample letters to lawmakers on their Web sites.

"To make our voice heard, we need to flood the Capitol with phone calls, letters and e-mails," wrote Texas Lutheran President Jon Moline in a message posted on the school's Web site.

At St. Edward's, students graduate with an average of about \$23,000 in debt, according to Doris Constantine, director of student financial services.

"This year, the TEG only goes to about half of the more than 1,500 students who were eligible," Constantine said. "If, every year, we start receiving a little less, does that mean we have to start assisting fewer human beings? It's something every private university has had to face."

People who support giving more aid to public school students say that thousands of eligible students are already missing out. They note that the Texas Higher Education Coordinating Board estimates it would cost \$524 million to meet the need of eligible students under the TEXAS Grant program for the next two years. The House has approved \$322 million, the Senate \$294 million.

"The real solution," Ellis said, "is to come up with sub-

stantially more money to... put more of our students on scholarships to go to our universities, regardless of whether public or private."

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## Grants to college students

### State grants to Texas college students, 2000-05

Students attending:

Private colleges\* ██████████ \$513.3 million  
Public colleges\*\* ██████████ \$558.6 million

\*Includes TEXAS Grant and Texas Equalization Grant funding

\*\*TEXAS Grant only (Texas Equalization Grant not available to public college students)

### College enrollment in Texas

Total: 1,181,231 students

Public schools ██████████ 1,064,620

Private schools ██████████ 116,611

Preliminary fall 2004 figures

### State aid at private colleges in Texas, 2000-05

Private colleges with students receiving state grants: 43

#### Top recipients

Baylor University ██████████ \$62,660,121  
St. Mary's University ██████████ \$35,321,010  
Southern Methodist University ██████████ \$32,278,523

#### Austin-area universities

St. Edward's ██████████ \$18,521,656  
Southwestern ██████████ \$7,714,508  
Concordia ██████████ \$5,093,341  
Huston-Tillotson ██████████ \$4,367,998

Sources:

Texas Higher Education Coordinating Board, office of state Sen. Rodney Ellis

Mary Coppinger AMERICAN STATESMAN

# Tougher standard for grants

Lawmakers look at  
setting grade target  
for private colleges

By **Ralph K.M. Haurwitz**  
AMERICAN STATESMAN STAFF

More than 5,000 students at private colleges in Texas stand to lose state-sponsored financial aid if a proposal working its way through the Legislature becomes law. And more than half of those students are likely to be members of minority groups.

The proposal would require students attending private colleges or universities to maintain a grade-point average of at least 2.5 on a 4.0 scale to retain a Tuition Equalization Grant. Students receiving such grants currently must show "satisfactory academic progress," a less stringent standard that is left to the individual colleges to define.

A total of 24,807 undergraduates received equalization grants during the 2003-04 school year, according to the Independent Colleges and Universities of Texas Inc., a group that represents the private schools. If the proposal had been in effect then, 5,667 students who fell short of a 2.5 GPA would have lost their grants, said Carol McDonald, president of the group.

And of the students who would have lost grants, 27.5 percent of them would have been African Americans, 24.8 percent would have been Hispanic and 42 percent would have been white, she said. Higher family incomes are generally associated with higher grade-point averages, McDonald said.

Her group, whose members include about 40 private schools, opposes Senate Bills 31 and 1227, both of which would require at least a 2.5 GPA. She told the House Higher Education Committee on Tuesday that many college freshmen see their grades decline as they struggle to adjust to life away from home. The decline is often temporary.

But Rep. Fred Brown, R-College Station, a member of the committee and sponsor of one of the measures, said there's nothing wrong with expecting aid recipients to perform well. He said students at public colleges and universities already must maintain at least a 2.5 GPA to retain the Texas Grant, another form of financial aid.

Of 51,884 students receiving Texas Grants, 9,742 of them lost that aid last year when their GPA fell below 2.5, according to

the Texas Higher Education Coordinating Board.

"I understand the numbers, but that's the real world," Brown said.

Raymund Paredes, the state's commissioner of higher education, said the proposed legislation is good education policy.

"It takes Texas in the right direction, toward greater academic vigor," Paredes said. The committee left the bills pending to make minor changes.

The equalization grant is available only to private school students; the Texas Grant is available to students at private and public schools. Both types of grants are awarded for need, not

for academic merit. Some private school students get both grants, but the proposed legislation would allow them to receive only the larger of the two.

In 2003, the average equalization grant was \$2,400; Texas Grants averaged the same amount.

In an effort to speed students' progress toward graduation, the proposed legislation would require recipients of either type of grant to take at least 24 credit hours a year. Students could receive the grants for a maximum of five years in most cases.

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# Lawmakers may tighten rules on 2 key college aid programs

■ Bills could make it more difficult to benefit from TEXAS Grant, B-On-Time loans

By JEFFREY GILBERT  
AUSTIN BUREAU

AUSTIN — Houman Hassanpour maintains close to a 3.9 grade-point average at the University of Houston, taking such classes as organic chemistry and participating in many extracurricular activities.

He moved to Houston from Iran five years ago, and lives at home to help his mother raise his two younger brothers. Hassanpour is using a TEXAS Grant to pay for college. Without it, he wouldn't be able to attend.

"I don't have time to work enough to cover tuition," he said. "If I wouldn't have had the grant, I would have either been very, very down on my hours or had to drop out of school because we don't have a good family income."

Lawmakers often wring their hands over the low number of students who attend college — Texas ranks 45th in the number of high schoolers who enroll in college, at just more than 50 percent.

But Texas provides about \$120 million less in state financial aid than the other five biggest states in the nation. Georgia, a state one-third the size of Texas, spends \$50 million more in direct state financial aid.

Now, the state's most successful college assistance program is in danger of being further eroded by merging with another state scholarship program, and students such as Hassanpour could be left without a way to fund their education.

Created in 1999, the TEXAS Grant program provides tuition and fees for Texas students who take challenging courses in high school and require financial aid in college. Since its inception, about 115,000 students have received more than \$600 million in financial aid.

Budget cuts eliminated 22,000 students from the program last session, and more people are set to be cut again. While the current budget allocates \$324 million for the program, the proposed Senate fiscal plan gives \$294 million over the next biennium and the House version allocates \$322 million.

One idea has the program

## TUITION OPTIONS

Two bills propose changes to two programs that help students pay for college:

### The programs

■ **TEXAS Grant:** Students must take at least nine hours per semester and do not repay the grants.

■ **B-On-Time:** Loans are forgiven for students who graduate with a B average in four years (five years for such programs as architecture) or within six credit hours of what their degree requires. Students who don't must repay loans, interest-free.

■ **Both programs:** Students must take recommended high school curriculum. They receive \$3,590 per year for university, \$1,980 for technical schools and \$1,270 for community colleges.

### The bills

■ **House Bill 3000:** First two years are a TEXAS Grant, and final two years are B-On-Time Loan. If requirements aren't met, loan must be paid back, interest-free.

■ **Senate Bill 31:** Students receiving a TEXAS Grant must take at least 30 hours per year, with exceptions for people who have severe illness or are responsible for the care of a sick, injured or needy person

merging with B-On-Time, an initiative that began two years ago and forgives the loans of students who graduate with a B average within four years for a four-year degree or within six credit hours of what their degree requires.

Sen. Rodney Ellis, D-Houston, led the effort to create the TEXAS Grant program six years ago, and said the merger is a bad idea.

No other state requires students to meet both the grade and time requirement, Ellis said, and having Texas students do that could cause a hardship. Many scholarship recipients must work to pay for other college costs, such as books and board, Ellis said.

"I want (students) out, and I want them out with a good average, but the first step to getting them out is to get them in," Ellis said. "I can assure you one thing: If you don't get them in, you will not get them out."

### Stiff requirements

About 23 percent of all Texas college students and 17 percent

of TEXAS Grant students graduate in four years, according to the Texas Higher Education Coordinating Board, meaning a majority wouldn't meet the B-On-Time requirements and could be dropped from the program.

"I think there's a role for the notion of the B-On-Time program, but in today's economy, that's more of a suburban, upper-class program," he said. "Texas is so far behind the national curve already. We've simply got to get more of our young people on the college track."

Already in his third year, Hassanpour, a 21-year-old sophomore, said he will take at least five years to graduate, because of his tougher course load and extra activities.

"I don't think it makes much sense," he said. "You can't graduate in four years unless you take advanced classes in high school, and not everybody can do that."

### Time restraints

Rep. Geanie Morrison, R-Victoria, is sponsoring the bill that would merge the two programs. In her plan, the first two years would remain a TEXAS Grant, but the second two would become a B-On-Time loan. Students who don't keep a B average or take more than four years to get out of school would have to pay back the loan, interest-free.

"We are trying to get the most for the money we have," Morrison said. "Students are staying in school for six years to get their degrees, and that's a detriment to the state, to the school and to the citizens. Hopefully this will help."

Sen. Judith Zaffirini, D-Laredo, opposes the merging of the two programs because they have "two totally different purposes." Ellis' program is a grant that doesn't need to be repaid, while B-On-Time is a loan.

Zaffirini is sponsoring a bill that would require TEXAS Grant students to take at least 30 hours per year.

"I think that's very reasonable," she said. "The longer a student takes to get a degree, the more expensive it is. We are trying to do everything we can to motivate students. A typical student should take more (than 30 hours). There's a responsibility associated with receiving scholarships."

Both women said getting students out faster will free up space for more people to get the scholarships, and will get them into the work force earlier, which benefits everyone.

### 'Pretty tough road'

To fight the plans, Ellis said he is "sounding the alarm." He has written university presi-

dents from around the state, including Jay Gogue, president of UH. He is meeting with student newspapers, editorial boards and has sent information packets to his colleagues.

Public university presidents have been slow to get involved, Ellis said, because they are scared they could lose funding elsewhere. Sometimes it comes down to lobbying for the grants or for a new science building.

"They need to decide what their priorities are," he said, "the students who they are charged with educating, or putting more money into the infrastructure. I'm not all that sure they can't make a case for both."

Gogue said UH students benefit at a far greater rate from TEXAS Grants than they do from the B-On-Time program. He said 82 percent of his students work at least 30 hours a week, and imposing a time restriction for graduation could cause problems.

"That's a pretty tough road for most people," he said.

Gogue said he understands lawmakers are worried about the state's growing population, but if changes have to be made, he would advocate for restrictions on the number of courses a student has to take, rather than the amount of time one has to complete them.

### Motives questioned

Ellis also wonders why measures aren't being taken to merge funding for the Tuition Equalization Program with TEXAS Grants and B-On-Time. That program subsidizes Texas students who go to a private college. Zaffirini's bill does require the private school students to take at least 30 hours per year, as well.

Ellis points out that his program carries tougher requirements because students getting Tuition Equalization grants aren't required to take the recommended high school curriculum and only have to take six hours in college.

"What's driving this is not altruism, it's money," he said.

"If the goal is flexibility, then put that program in there as well."

Hassanpour said his brother is applying to colleges now, and his family is counting on grants like the one he has.

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Gary  
Scharrer

## College grant cuts frustrate state leaders

Texans can't always count on their state legislators and leaders to do the smart thing and so it goes with current higher education policies that almost certainly will keep Texas falling farther behind.

Higher education leaders, including El Paso's **Adair Margo**, when she was on the Texas Higher Education Coordinating Board, saw alarming trends in the late 1990s that influenced them to develop a strategy for "closing the gaps."

Texas only had 5 percent of its population enrolled in colleges and universities five years ago, compared with a national average of 5.4 percent. Other populous states with which Texas competes had even higher rates.

To close the gaps, Texas needs to have 1.6 million students enrolled in higher education by 2015. Current trends will leave Texas 300,000 students short of meeting that modest goal.

So, what are state lawmakers doing?

In short, putting roadblocks in front of college access by causing tuition to increase by 30 to 40 percent in the past two years and reducing the number of TEXAS Grants for lower-middle-class and middle-class families.

"You can't close the gaps if you're making it harder and harder to get a college degree," says **Rep. Pete Gallego**, D-Alpine, who tried but failed this week to increase the number of grants.

The five-year-old program has been especially rewarding for University of Texas at El Paso students. Nearly 4,000 UTEP students have received \$26.7 million

in TEXAS Grants, according to the Texas Higher Education Coordinating Board. UTEP ranks No. 5 among 141 Texas universities and community colleges in TEXAS Grant allocations. El Paso Community College ranks No. 24 with \$7.5 million spread out over 3,345 students.

Statewide, the program currently helps 63,834 students. But budget proposals would reduce that number by 11,300 students in the House version and by 15,000 in the Senate plan.

**Sen. Rodney Ellis**, D-Houston, finds all of this incredibly exasperating. He is the architect of the TEXAS Grants program.

"It has become old hat for politicians to talk about the importance of getting a college education," Ellis says. "When it comes to actually investing in our college students, Texas is all talk. The House plan is the lesser of two evils, but it's still evil."

Texas' struggle to increase college enrollment is especially vexing when it comes to the Hispanic population. Only 3.9 percent of Texas Hispanics were enrolled in higher education, according to the latest 2003 statistics. Enrollments for blacks stood at 5.2 percent, while Anglos were at 5.6 percent.

The TEXAS Grant program has helped minorities as 46 percent of those grants have gone to Hispanics and 13 percent to blacks.

"Five years ago, we promised that we were going to take measures to close the gap between Hispanics, African Americans and Anglos," Ellis says. "Make no mistake about it, we're widening the gap ... and it is going to cost us."

Texas now spends \$162 million a year for the TEXAS Grants. Gallego tried to increase that appropriation to \$262 million per year, which would cover every eligible Texas student (91,000), during budget debate this week. But House members voted 89-56 against the amendment.

"It says the Legislature doesn't put its money where its mouth is," Gallego says. "We're trying to build a roadway to success, but we're putting our own roadblock on that road."

And that, of course, defies common sense.

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# Legislation could widen state's achievement gap

The TEXAS Grant program, created in 1999, has been instrumental in increasing the number of Texans who go to college.

Since its inception, the program has helped 115,000 students attend college. They have received 235,000 grants worth \$600 million.

Many of the grants have gone to poor, minority students who are the first in their families to go to college.

The University of Texas at San Antonio has 3,469 students who have been the recipients of \$22.9 million of those funds.

State budget woes and tuition deregulation have hurt the program.

Last year's budget cuts and increased tuition costs caused 22,000 students to be dropped from the TEXAS Grant program. And more bad news could be on the way.

Legislation pending in Austin could change how that money is spent and have a detrimental effect on South Texas students.

One proposal would require students receiving a TEXAS Grant to graduate in four years and maintain a B average or face having to

Texas' economic future depends on the state upholding its promise on college grant program.

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pay the money back.

Only 22.6 percent of all Texas students graduate in four years, and many do not have a B average.

The TEXAS Grant student usually has to work and lacks family financial support. On average, only 16.8 percent of TEXAS Grant students graduate in four years. Like many non-TEXAS Grant students, more than three-fourths of those receiving grants graduate after five years.

The state can't afford to cut off more college students who need the state's help. Education is economic development.

The TEXAS Grant program is working. Changing the rules will cause an estimated 32,000 students to lose their grants.

Lawmakers should leave the program as it is. The goal is to close the achievement gap, not widen it.

# Promise of college aid turns empty

TEXAS grant program short; 22,880 qualify but won't get money

By Jason Embry  
AMERICAN-STATESMAN STAFF

Thousands of students who were expecting the state to pay for their college tuition could instead get stuck with the bill after graduation.

State lawmakers created the TEXAS Grant program in 1999 to pay tuition and fees for students who take challenging classes in high school and need help paying for college. But because of a funding shortage and steep tuition increases, the program ran out of money quickly this year, leaving more than 22,000 students looking for another way to finance their educations.

"I was promised something. And I wish it's nowhere to be found," said Stephanie Limon, who graduated from Austin's Akins High School in May and now works two jobs and relies on her parents' savings to pay her tuition and other expenses at Austin Community College.

State and college officials are now trying to shift many of those students to a new state-financed program called the B-On-Time loan program. The loans provide the same amount of money as the TEXAS Grant, but recipients have to repay the money unless they graduate with a B average and, in most cases, within four years.

Some students, though, won't even have that option because their colleges don't want anything to do with the program, state officials said.

The new emphasis on the loan program may reflect a shift in the state's philosophy for distributing college aid.

A panel of lawmakers and the state's Higher Education Coordinating Board have recommended in recent months that the state try to reduce the cost of the TEXAS Grant program by providing the grants for only the first two years the recipient is in school. The conditions of the B-On-Time loan would then kick in during the second two years, meaning the state would provide money for tuition and fees but with strings attached.

"By providing a grant and providing a loan, you send a signal to the student that the state's going to put a lot of money toward your education, and we're going to expect some level of performance in response," said Teri Flack, the coordinating board's deputy commissioner.

The board estimates that the state could save \$1 billion over four years by combining the programs, because about three-quarters of loan recipients likely won't graduate on time with a B average and will have to pay the state back.

But state Sen. Rodney Ellis, D-Houston, who led the effort to create the TEXAS Grant, said lawmakers should give a grant

to everyone who qualifies. "It's all a matter of where your priorities are," Ellis said. "If we had as much of a commitment to getting young people a quality education as we had to bricks and mortar — building Tier One campuses and highways and toll roads in Texas — the program could be funded."

The shift to the loan program comes at a time when federal college aid programs may also be in trouble. Congress passed a spending bill last weekend that could cause nearly 100,000 students nationwide to lose federal Pell grants because of new rules on how a family's net income should be calculated. It is unclear what the impact will be in Texas.

## Grant money dwindles

The Toward Excellence Access and Success Grant program provides money for college to students who graduated under the "recommended" or "distinguished achievement" high school plan, keep a 2.5 grade-point average in college and come from families that are unable to pay more than \$4,000 a year for college.

There was enough money in the program a couple of years ago for everyone who qualified for the grants to receive them. But the number of first-time grant recipients has fallen, from 38,589 in the fall of 2002 to 15,274 this year, a 60 percent decrease. The coordinating board estimates that 22,880 students who qualify for the grant this year will not receive it.

The problems began in 2003 when lawmakers increased funding for the \$295 million grant program by only about 10 percent, according to Legislative Budget Board figures. At the same time, they gave universities greater latitude to increase their tuition. And increase they did, as much as 25 percent in a year.

All the while, word spread through Texas that the state would pick up the tuition tab for students who took tough classes in high school.

"We've told kids that we'll give you money if you take a college-prep curriculum," said Larry Burt, head of financial aid at the University of Texas. "And now we don't have the money to honor that commitment."

UT, with tuition and mandatory fees this fall semester of about \$2,867 for Texas residents taking 15 class hours, is one of the most expensive public schools in the state.

Requirements of the recommended graduation plan, which the state began requiring for

this year's ninth-graders, include Algebra II, three years of science instead of two and two years of a foreign language. In 2000, 82,000 students in Texas graduated with at least the "recommended" plan. That number reached 151,000 by 2003.

Meanwhile, the grants have grown from \$2,950 in fall 2002 to \$3,590 to keep up with rising tuition. That increase, coupled with the growing demand, has meant fewer overall grants are available.

## Loan money awaits

Although the TEXAS Grants have dried up, the state has \$50 million to spend this year on the

B-On-Time loans. The state found that money when it refinanced the bonds that had been sold to pay for other loan programs. But the state has doled out only about \$8 million of it this fall.

Lois Hollis, assistant commissioner for student services at the coordinating board, said some schools are reluctant to offer the loan.

Community colleges sometimes are wary of loans because their students often fail to make payments, which can cause the schools to lose other government aid. Also, she said, some private schools in the state don't want to participate in the B-On-Time program because they are concerned that they would have to contribute money to the program in the future.

And, sometimes, students themselves are reluctant to take out the loans.

"What we really have talked about is making sure we do a good job of educating the students that it's OK to take a loan, especially if it's a zero-interest loan that could be forgiven," Hollis said. "Some of these kids come from backgrounds where they are very loan-averse."

UT officials think they can give B-On-Time loans to any student who qualified for a TEXAS Grant but did not receive one. ACC officials sent out more than 100 fliers this fall telling students they qualified for the TEXAS Grant but did not receive it. The flier told students

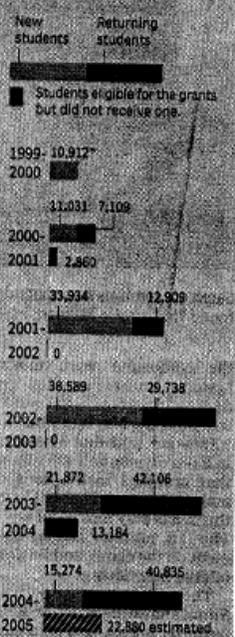
they could seek B-On-Time loans, but only one student has taken that offer so far, Director of Student Financial Assistance Terry Bazan said. Limon, the ACC student who didn't get a TEXAS Grant, said she has received other aid, though not enough to cover her expenses.

Many students don't want to borrow money to pay the relatively low cost of community college, especially if there are conditions attached, Bazan said. Also, she said, it sometimes takes a couple of years for new aid programs to catch on.

"They could still get it if they want," she said. "We've got the funds."

## TEXAS Grants

The number of students receiving and waiting for TEXAS Grants each school year:



\* First year of grants; no returning students  
Source: Texas Higher Education Coordinating Board

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## Two options for Texas students

TEXAS Grants and B-On-Time loans are both available to students who graduated from a Texas high school under at least the "recommended" course load and to some students with degrees from two-year colleges. Both programs pay \$3,590 a year for university students, \$1,980 for technical schools and \$1,270 for community colleges. But the requirements to receive the money and pay it back differ:

### TEXAS Grants

- Students' families must be able to contribute no more than \$4,000 to their college education.
- Students must carry a class load of at least nine hours.
- Students do not repay the grants.

### B-On-Time

- Students must qualify for financial aid under federal guidelines.
- Loans are forgiven for students who graduate with a 3.0 GPA in four years, or two years from a community college.
- Students can take five years to finish some programs, such as architecture and engineering.
- Loans that are not forgiven must be repaid at zero interest.

# State needs to keep its end of the bargain by funding grants

**N**early 23,000 Texas students believed what they were told by their government and used a popular state grant program to finance their college educations. The students kept their end of the bargain by taking tougher courses in high school and maintaining a passing average in college. But now, the state is renegeing on its promise.

State government shouldn't leave students in the lurch nor risk that they go away with the lesson that their government is untrustworthy.

Yet, that seems to be the lesson Texas leaders adopted. They have proposed drastic cuts to the much ballyhooed \$295 million TEXAS grant program, which is out of money. Thousands of students who were promised state-paid tuition might now get stuck with the bill.

The grant program, formally called the Toward Excellence Access and Success program, is the Texas version of the Georgia Hope scholarship. Legislators created it in 1999 to pay tuition and fees for students who earn a diploma by passing one of the state's tough high school curricula — either the recommended plan or the distinguished achievement plan. The bipartisan program signaled the state's interest in developing an educated and competitive workforce. No student who worked hard would be left behind or turned away from a university, college or community college because he or she couldn't afford it. The grant program was passed with Republican and Democratic support before the onset of the biting partisanship that has permeated the Capitol.

In the current no-new-taxes climate, state leaders are discussing restructuring the entire grant program. They have proposed scaling it back from four years to two and combining it with a state loan program to finance an additional two years. The shift to the loan program would save the state a projected \$1 billion, but students would be responsible for paying back the loan if they didn't graduate in four years with a B average from college or two years from community college.

Of course, we'd like to see the TEXAS grant program continued in full. Several college leaders, including University of Texas officials, relied heavily on the program as a selling point to sever the Legislature's control of state college tuition rates. They argued then that the TEXAS grant program would shield low- and middle-income students from the full impact of hefty tuition increases that would result from deregulation.

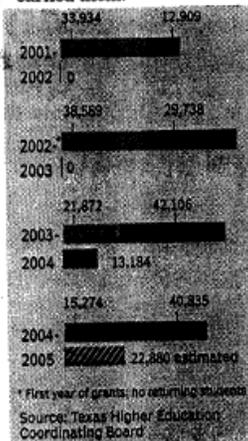
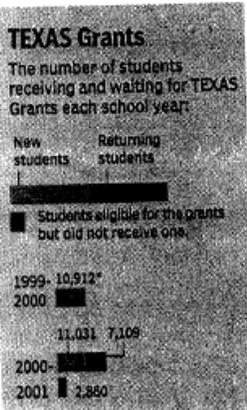
That rosy forecast isn't panning out. Tuition increases, which have been as much as 21 percent this year at

UT-Austin, have eaten up the pool of funds set aside for the TEXAS grant program faster than expected. The grant program was strained, too, by the Legislature, which in 2003 only increased financing for the \$295 million program by 10 percent. A revamped program that relies heavily on loans won't be nearly as effective as grants have been in deflecting tuition increases.

The timing of cutting the program couldn't be worse. Congress recently passed legislation that is expected to cause 100,000 students nationwide to

lose federal Pell grants.

Politically, the TEXAS grant program might only survive by cutting it and combining it with the loan program, as some are recommending. That position is a retreat on the previous decision that every needy kid who earns the grades will get free college tuition. Even so, the state shouldn't back down from its commitments. Texas leaders should see to it that the state keeps its bargain with the thousands of students who kept their end of the deal. Give them the grants. They earned them.



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## State should fund scholarships fully

If our state is going to have something like the TEXAS Grant program — and it should — the scholarship program should be fully funded. Unfortunately, it isn't. Now 23,000 college students expecting those funds must make other arrangements.

The TEXAS Grant program is one of the state's most effective ways to help needy Texans who want to help themselves. It provides college money to students who graduated under the "recommended" or "distinguished achievement" high school plan, who keep a 2.5 grade-point average in college and whose families are unable to pay more than \$4,000 a year for college. The program — which stands for Toward Excellence Access and Success — ran out of money this year because of a funding shortage and tuition increases.

The state can offer students a similar program called B-On-Time loans. Yet some colleges don't participate in that program. Recipients also have to repay the money unless they graduate with a B average and, in most cases, within four years.

When the Legislature convenes in January, it must ensure that these programs are fully funded and advertised properly. The recipients of the TEXAS grants and B-On-Time loans are trying to get skills and education their parents didn't have. That effort should be encouraged. It will help the state by producing more educated and prosperous wage-earners.

# Empty promise

## State shouldn't leave grant recipients in lurch

**W**hen the cost of college tuition in Texas shot up because of a change in how it was set, college administrators and lawmakers told college students: Don't worry, we'll find college aid for those in need.

Now look at what has happened with one important means of helping college students. The TEXAS Grants have run out of money.

In 1999 Texas had this offer for students who otherwise might not be able to afford a four-year college education: If you qualify under income guidelines, take the "recommended" degree plan to a high school diploma, and maintain a 2.5 grade-point average in college, Texas will help pay for your tuition and fees.

Now as many as 23,000 Texas college students are wondering what they'll do next, as are state lawmakers who made the promise to them.

Two key factors are at play: First, the 78th Texas Legislature increased funding for TEXAS Grants only 10 percent coming into this biennium. Second, in a bargain that allowed lawmakers to spend less on higher education overall, they agreed to let state four-year colleges set their own tuition. That went up an average of 25 percent.

That means the money for TEXAS Grants disappeared rapidly this year.

Two options are out there.

One is to pump more into TEXAS Grants and make up for lawmakers' shortsightedness. The other is to consolidate the program with something called the B-On-Time loan program, in which a student's loan is forgiven if he or she graduates in four years with a B average. If not, the student must pay off the loan after graduation.

The problem with the latter option is that not all colleges participate in B-On-Time. Additionally, this would change the agreement under which students were awarded their college aid.

In this space two years ago we urged students to stick to the recommended course load in high school and check into the TEXAS grant, since dollars were there for the claiming for deserving college students.

This reminds us of the people who really paid for the "no new taxes" budget about which the governor and legislative leaders crowed. College students paid with higher tuition. People in nursing homes paid with a smaller Medicaid allotment. Teachers paid when the state didn't follow through on a promised health insurance supplement.

The TEXAS Grant was an important development from which a lot of lawmakers got political mileage. They should revisit the issue when they reconvene, and commit themselves to a promise they can deliver.

# Bait, switch in Austin?

## Possible cuts in Texas Grants show folly of budget process

**I**t seems like only yesterday. OK, it was last August. An astounding story had come out, a report of \$17.5 million in student aid being left on the table under the Texas Grants program.

The problem? Not enough students were applying and qualifying.

Students were being urged to apply for the grant money and to meet the requirements, which are to take the "recommended" college-track courseload, including two years of foreign language and advanced algebra.

Now, even more astounding, after putting out the word for students to apply and getting college careers started through Texas Grants, the state says some students may get left in the lurch.

Even Gov. Rick Perry, who has said sacrifices must be made across the board in a budget pinch, says it's a bad idea. The governor must come up with a better idea. College aid has a payback in improved productivity, particularly for people from low-income families who might not consider college.

It's just one example in which Texas is preparing to cut off the end of its nose to save face "without new taxes" in addressing the \$9.9 billion budget shortfall.

Texas Higher Education Commissioner Don Brown told the House Appropriations Committee that budget cuts would mean deep cuts in the Texas Grants program.

State Sen. Rodney Ellis authored the Texas Grant, on whose merits Perry campaigned for reelection. Ellis said 20,000 eligible students could be denied, some already in college.

Budget writers may say they were overly generous with Texas Grants. We don't think so. The truth is that Texas is failing to address basic revenue issues that hamper it in doing the right thing with the economy in a slight slump.

For instance, the state tax system is largely outmoded, relying far too heavily on a sales tax. One of the key levers for raising revenue, the franchise tax, has become hopelessly impotent as more and more corporations have converted to limited partnerships to escape it.

Perry has said the state should lasso those former corporations back into the fold with business taxes. That would be a good start. It would still do too little to have a tax system that reflects an economy that has moved away from manufacturing to services. There's no reason why law firms, accounting firms and other services should not pay a business tax.

It is outrageous that college students should have to take the hit for a tax system that isn't doing its job. Don't gut the Texas Grant program. Find the resources to allow college aid to keep paying off.

# Promote TEXAS grants

## State should encourage college education

**T**exas education officials, working in tandem with state universities and high schools, should find more innovative ways to promote the TEXAS Grant program, which pays for tuition and fees at state universities for qualifying Texas students.

The state still has \$17.5 million in unspent funds designated for the grant program. As pointed out by state Sen. Rodney Ellis, D-Houston, the money "could help 6,500 students go to college."

Texas needs to boost the number of high-school students who go to college. Education is the key to improving the economic sustainability of the entire state, and especially of Texas' ailing border regions. The program, known officially as the Toward Excellence, Access & Success Grants, pays for full tuition and fees for high-school students who study a state-recommended college-prep curriculum, earn a diploma and meet specific federal financial-aid requirements.

Financial-aid officials from

around the state have said that the unspent funds stem from restrictions that limit who can get the tuition assistance, and also because some high schools don't publicize the availability of the grants as well as they should. In fairness, the problems related to the issue are multifaceted.

For example, school districts should examine counselor-pupil ratios to determine if more high-school counselors are needed. And some districts, as well as colleges, could be more creative in their efforts to inform parents and students about the eligibility requirements for this tuition aid.

Additionally, more students should be enrolled in college-prep level courses. Of the 218,000 Texas high-schoolers who were graduated the past spring, only 129,000 took the state-recommended coursework that's required for grant eligibility.

More young Texans need a college education; it's an investment that will help reduce the chronic poverty and joblessness afflicting Texas' border and inner-city areas.

# More college graduates crucial to state's health

It is good to see higher education as a priority among lawmakers, even in a lean budget year.

Texas ranks 48th in the nation in the percentage of high school students who go on to earn a college degree. The state needs all the help it can get to produce more college graduates.

Legislative budget writers should be commended for voting to triple funding for the state's fledgling scholarship program during the next biennium. Increasing Toward Excellence, Access & Success Grant funding to \$335 million will open college doors to more than 50,000 students.

As Texas becomes a minority-majority state, recruiting and retaining minority college students is imperative.

Cost is a big hurdle for potential college students, and the availability of a scholarship is the deciding factor for many.

In 1982, state tuition was \$4 per hour. This fall, tuition at state public universities will be approximately \$84 per hour.

Many college graduates find themselves in deep debt with student loans before earning their first paycheck.

Since the TEXAS Grant program began two years ago, the state has awarded 20,000 college scholarships to students whose family incomes were \$25,000 or less.

State lawmakers are proposing to raise the income cap to \$40,000, which is a move in the right direc-

Economic need should not prevent any student in Texas from attending college.



tion. A family with a household income of \$40,000 can barely manage to pay for an education at a local community college even if their child lives at home.

State-sponsored college scholarship programs have a proven track record.

The TEXAS Grant program is modeled after the successful HOPE Scholarship in Georgia that offers college money to all high school graduates with a B average.

Since the Georgia program began, educators have seen grades in high school go up along with SAT scores.

And HOPE students outperform their counterparts in college.

It may be a long time before Texas can provide scholarships to all graduates with a B average, but increased funding that allows more students to take advantage of the grant program is a good start.

A college degree has become as necessary as a high school diploma used to be. It is estimated that a student who earns a college degree will make about \$250,000 more during his lifetime than one with just a high school diploma.

Education is a good investment in the economic future of the state.

## Movement Needed To Help More Texans With College

High tech stocks have been taking plenty of hits recently, but it continues to be recognized that the high tech industry is destined to be a strong driving force in the Texas economy in the future.

In the past decade, Texas has made a strong effort to lure high tech businesses into the state. And it has been quite successful.

Since 1993, the state has created 130,000 high tech jobs. Now there are more than 411,000 Texans working in industries such as computer and software manufacturing, semiconductors and communications. That is more than the oil and gas drilling, agriculture, food products and petroleum refining sectors combined.

Jobs in the high tech industry pay nearly twice the average private sector job in Texas. They also have better benefits and afford greater opportunity for advancement and growth than many other service sector jobs.

Indications are that these industries will continue to grow, creating more job opportunities. It is a bright picture for the future, except for one area of concern — Texas is not producing enough college graduates to meet the demand for these highly attractive opportunities.

If Texas is to remain at the forefront of the high tech revolution, steps must be taken to help more state residents get the college education they need to succeed in the new economy, some key political leaders believe.

They are the joint authors of the TEXAS (Toward Excellence, Access, & Success) Grant Program which was created in the 1999 session of the Texas Legislature — State Senators Rodney Ellis, D-Houston and Jeff Wentworth, R-San Antonio, and Secretary of State Henry Cuellar. Ellis is chairman of the Senate Finance Committee and Wentworth is chairman of the Senate Redistricting Committee.

The \$100 million grant program provides tuition and fees for students who have taken the advanced or recommended curriculum in high school and come from families earning less than \$25,000 a year. They say the program has been a success, providing 20,000 Texas students the opportunity to go to college that otherwise might not have been able to afford the costs.

Now, they say, the state needs to expand the program to open the way for more college graduates.

Texas ranks near the bottom of states in producing college graduates. Direct state aid has dropped in recent decades, and the cost of going to college in Texas is now higher than the national average. Tuition and fee costs have risen 81 percent since 1992, pricing more and more middle class families out of education, it is pointed out.

The Senate Finance Committee has voted to quadruple funding for the grant program, providing \$400 million over the biennium, which will expand eligibility to families earning up to \$75,000 a year and will provide grants to more than 100,000 students every year. Another proposal calls for tripling the fund to \$306 million, which would expand eligibility to families earning up to \$50,000 and provide grants to more than 100,000 students.

Wentworth, Ellis and Cuellar said this funding increase would help Texas compete with other states for high tech jobs.

California, for example, spends nearly \$1 billion a year on a similar program, and Georgia, a state one-fourth the size of Texas, invests \$175 million a year on their version of the program.

They say the choice for Texas is clear.

The increased investment in TEXAS grants can pave the way for an entire generation of Texans to get a college education and ensure the state has the skilled workforce needed to drive the new economy. On the other hand, failure to produce more highly educated and highly skilled workers will turn the Texas high tech boom of the 1990s into a high tech bust in the early 21st century.

# This is money well-spent

The 1999 Texas Legislature established the TEXAS Grant Program.

Modeled on the HOPE Scholarship program in Georgia, it began providing grants for low-income students with "B" averages to attend Texas colleges and universities.

Over the last two years, nearly 20,000 grants have gone to young people whose family incomes were \$25,000 or less.

This year, the \$100 million funding for the program has been tripled to \$300 million for the next biennium.

With this increase in funding, access is expanding to Texas young people whose families have incomes up to nearly \$75,000. It is expected

The TEXAS Grant Program will be tripled to provide \$300 million to send Texas students to college.

—◆—  
that 98,000 students will receive grants each year.

This is, quite clearly, a critical investment in the future of the state, which will not prosper without a skilled and educated workforce.

The grant program is an important step toward assuring every young person in the state willing to pursue a college education the chance to do so.