

MONITOR OUTCOMES AND LIMIT COURSE OFFERINGS TO ENSURE DUAL CREDIT COURSE QUALITY

LBB RECOMMENDATIONS

1 Include a rider requiring THECB to compile data to analyze the fiscal and instructional impacts on student outcomes for dual credit courses.

2 Amend statute to prohibit physical education dual credit courses from being eligible for dual credit funding.

The introduced 2012–13 General Appropriations Bill includes a rider implementing Recommendation 1. Recommendation 2 requires statutory change.

These recommendations would not have a fiscal impact for the 2012–13 biennium. They would ensure course quality and limit dual credit course offerings resulting in reduced time to degree and future savings to the state.

Dual credit enrollment is growing rapidly due to recent legislative emphasis. Since fiscal year 2003 both public school districts and colleges have been allowed to obtain state funding for dual credit courses. Legislation enacted in 2005 requires the state's P-16 Council to develop a College Readiness and Success Strategic Action Plan to ensure that every Texas student is college-ready when exiting high school and has the skills to successfully compete in a global economy. Statute also requires all school districts to provide students with the opportunity to earn the equivalent of 12 hours of college credit while in high school. From fall 2002 to fall 2009, dual credit enrollment increased more than 200 percent. However, it is not clear whether dual credit programs improve college-readiness for Texas high school graduates.

As the number of enrolled students and dual credit courses increases, ensuring the quality of dual credit programs becomes more critical. Colleges are responsible for overseeing the instructional quality of dual enrollment courses. A 2010 State Auditor's Office report found that 10 out of 12 community colleges reviewed needed to improve their monitoring and evaluation of dual credit teachers and courses. While some courses are applicable to some degrees, they also may be of questionable academic value for college readiness. In fiscal year 2009, more than 1,900 Texas high school students received both high school and college credit for physical education courses. Available high school credit for those courses ranged from athletics, dance, cheerleading, drill team, and marching band. In addition, physical education courses are not included as part of the 36 semester credit hour required state core curriculum, so not every community college requires them to earn an Associate's degree.

The 2010–11 General Appropriations Act requires the Texas Higher Education Coordinating Board (THECB) and Texas Education Agency to provide integrated data on certain topics relating to dual credit. Complete data will not be available until spring 2012.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 471.

STRENGTHEN FINANCIAL OVERSIGHT OF COMMUNITY COLLEGES

LBB RECOMMENDATIONS

1 Include a rider requiring THECB to provide an annual report regarding the fiscal condition of the state's community colleges based on an analysis of financial indicators.

2 Amend the Texas Internal Auditing Act to include community college districts.

3 Amend statute to require THECB to update its community college board training to include best practices in campus financial management, financial ratio analysis, and case studies using financial indicators.

The introduced 2012–13 General Appropriations Bill includes a rider implementing Recommendation 1. Recommendations 2 and 3 require statutory change.

These recommendations would not have a fiscal impact for the 2012–13 biennium. They would ensure public resources are spent efficiently and effectively by requiring more financial accountability, enhanced oversight measures, and improved governing board training.

In January 2009, the Legislative Budget Board (LBB) published a report that included recommendations to develop a system of standard ratios to detect changes in the financial positions of the state's community colleges. Since that time, LBB staff contracted with a consulting firm to review existing higher education financial ratios and develop a set of key financial and non-financial indicators that could be used at the state and community college levels to monitor financial performance. These indicators were developed with input from the Texas Higher Education Coordinating Board (THECB) and community college presidents, chief financial officers, and board members and focus on the highest risk areas in community colleges' reserves, debt, revenue, and management.

An analysis of annual financial reports from fiscal years 2007 to 2009 using the recommended financial indicators shows six community college districts may have financial concerns. Without additional follow-up with those districts, the cause and materiality of the financial issues cannot be determined. Effective internal audit programs could help the colleges identify and correct financial and operational problems on an ongoing basis. District trustees do not always have the financial or accounting expertise to effectively monitor the fiscal strength of the district. With such a large and decentralized system, strengthened financial accountability, enhanced oversight measures, and improved governing board training would ensure that public resources are being spent efficiently and effectively.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 477.

IMPROVE ACCOUNTABILITY OF TECH PREP CONSORTIA

LBB RECOMMENDATIONS

1 Amend statute to require THECB to conduct desk evaluations and issue reports to Tech Prep consortia on an annual basis in years when agency site visits are not conducted.

2 Amend statute to require TEA to establish administrative rules that dictate a specific and clear definition and process for identifying high school students as Tech Prep participants.

3 TEA should modify its training and assistance to Education Service Centers and public independent school districts to ensure they understand and implement the new rules consistently.

Recommendations 1 and 2 require statutory change. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of these recommendations.

These recommendations would not have a fiscal impact for the 2012–13 biennium but would enhance the Texas Legislature's and THECB's ability to hold Tech Prep programs accountable.

Tech Prep programs combine high school career and technical education with a minimum of two years of postsecondary education. Tech Prep consortia arrange for public teacher training, facilitate local business input, and manage program relationships between public school districts and public institutions of higher education through articulation agreements.

Although the Texas Higher Education Coordinating Board (THECB) approves Tech Prep consortia grant applications and monitors their performance, it is not complying with relevant statute and lacks a thorough system for evaluating the consortia. Also, the data reported by school districts and used by the agency to evaluate Tech Prep consortia is based on data definitions and reporting procedures that diminish the accuracy of federally established performance indicators.

Amending statute to require annual Tech Prep evaluations by THECB and requiring the Texas Education Agency (TEA) to clarify data reporting requirements would provide THECB and the Texas Legislature with more useful information to gauge Tech Prep programs' contribution to helping high school students earn college credit and prepare to enter the workforce.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 483.

IMPROVE THE EFFECTIVENESS OF THE TEXAS COMMON COURSE NUMBERING SYSTEM

LBB RECOMMENDATIONS

1 Amend statute to guarantee the transfer of all courses in the TCCNS if the receiving institution offers the equivalent course. Courses that are ineligible for transfer would no longer be included in the system's transfer matrix.

2 Amend statute to require institutions of higher education to annually provide THECB with information on TCCNS courses added or deleted to the institution's inventory.

The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of these recommendations. Recommendations 1 and 2 require statutory change.

These recommendations would not have a fiscal impact in the 2012–13 biennium. They would reduce the number of credits lost through transfer and improve a transferring student's success in earning a baccalaureate degree by guarantying transferability of courses in TCCNS.

Effective state transfer policies are a key component of efficient baccalaureate degree productivity. Prolonging the time to receive a baccalaureate degree reduces the chance that students will complete college. Legislation enacted in 2003 directed the Texas Higher Education Coordinating Board (THECB) to facilitate the transfer of courses among community colleges and universities by promoting consistency in course designation and identification. In 2004, the agency designated the Texas Common Course Numbering System (TCCNS) as the approved common course numbering system for lower division courses.

The TCCNS has a limited impact in facilitating course transfer. Institutions that participate in the system are not required to accept transfer credit for all courses that are included in the system. This is true even if the receiving institution offers equivalent courses that are taught by comparable qualified faculty. In addition, because TCCNS information is only updated biannually, course information may be incorrect. Requiring courses included in the system to be transferable to institutions of higher education would reduce the number of credits lost through transfer and improve a transferring student's success in earning a baccalaureate degree.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 485.

NON-TAX REVENUE COLLECTED FROM PUBLIC HIGHER EDUCATION STUDENTS

LBB FACTS AND FINDINGS

- ◆ During fiscal year 2009, institutions of higher education collected \$4.7 billion of student revenue (two-thirds of it was tuition and one-third was student fees).
- ◆ From fiscal years 2005 to 2009, student revenue increased \$2.1 billion for a 15 percent annual rate of change. Student revenue amounts increased more at universities compared to community, technical, and state colleges but the rate of increase was higher at these institutions than universities.
- ◆ Increases in student revenue were primarily related to increased dollars per student, rather than an increased number of students.
- ◆ Increases in student revenue substantially outpaced appropriations of General Revenue Funds. Three-fourths of student revenue was not deposited into the state Treasury and was not appropriated.
- ◆ During fiscal year 2009, tuition reported as institutional funds was 66 percent of tuition revenue, up from 54 percent during fiscal year 2005.

This report does not include any recommendations. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It provides information to increase the transparency of the cost of higher education.

Student revenue makes up most of the non-tax collected revenue in higher education. Affordability and equity for students are ongoing policy issues, and revenues from students are increasing relative to other sources of revenue for higher education. Legislative Budget Board staff used the Non-Tax Collected Revenue Survey database to determine increases in resident tuition compared to non-resident tuition, increases in tuition compared to fees, and variance among institutions in the ratio of tuition to fees. Also, the amounts of student revenue not deposited into the state Treasury and not appropriated, and trends in tuition and fee collections and assessments were determined.

From fiscal years 2005 to 2009, resident/in-district tuition revenue increased more than non-resident/out-of-district tuition revenue at universities, but not at community, technical, and state colleges. Student fee revenue increased at higher rates compared to tuition revenue, except at universities. From fiscal years 2005 to 2009, increases in tuition revenue did not moderate increases in other student fee revenue in higher education. At universities, tuition as a percentage of student revenue was 68 percent, but varied from 56 percent to 82 percent across universities. During fiscal year 2009, \$60 million in student revenue was assessed but not collected.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 493.

PREDICTORS OF ACCESS AND SUCCESS AT GENERAL ACADEMIC INSTITUTIONS

LBB FACTS AND FINDINGS

- ◆ Five common measures of high school academic preparation, controlled for demographic factors, were used in six statistical models to predict college graduation rates.
- ◆ The percentage of freshmen applying for financial aid has increased over time, from 56.9 percent in Fall 2004 to 74.0 percent in Fall 2009. In addition to the percentage of financial aid applicants increasing, the raw number of financial aid applicants also grew substantially over the six year period.
- ◆ The single strongest financial aid predictor of success is receiving a work study award. TEXAS Grants are a significant predictor of success for students who entered higher education in 2004, however the shifting of those awards in 2005 and 2006 to needier students turned them into a proxy for low socioeconomic status and the positive effects were no longer apparent.

This report does not include any recommendations. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It provides information regarding the graduation rates of students receiving financial aid that the Legislature may use when making future funding decisions.

The General Appropriations Act (2010–11 Biennium), Rider 60, page III-63, directs the Legislative Budget Board (LBB) to conduct “a statistical study of the predictors of access and success in higher education.” This report fulfills that direction. The first section of the report addresses the “access” portion of this direction. The second section evaluates the predictors themselves.

Existing TEXAS Grant allocations do not correlate with TEXAS Grant-eligible populations at public, four-year institutions. The chance any individual student receives a TEXAS Grant award is determined largely by the institution they choose to attend—not their preparation in high school nor their financial need relative to other students in the state.

Setting THECB-proposed college preparation criteria as a requirement for the TEXAS Grant program would enable most institutions to fully fund grants for all identified students with an Expected Family Contribution of \$4,000 or less at their institutions and would reduce existing inter-institution disparity significantly. In addition, adjusting existing allocations would remove all inter-institutional disparity.

In six separate statistical models, five common measures of high school academic preparation predicted graduation after controlling for demographic factors. The model measured academics preparation by SAT score, class rank, completion of the Distinguished Achievement Plan, meeting Texas Success Initiative standards (exemption from developmental education), and completion of “college-level” coursework in high school.

The full text of this report is available in *Predictors of Access and Success at General Academic Institutions* (Legislative Budget Board, January 2011).

FINANCING HIGHER EDUCATION IN TEXAS, LEGISLATIVE PRIMER

REPORT HIGHLIGHTS

- ♦ The Eighty-first Legislature provided a total of \$22.8 billion to support higher education in the 2010–11 biennium.
- ♦ Public institutions serve about 90 percent of the approximately 1.2 million students enrolled in higher education in Texas.

This report does not include any recommendations. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It describes the structure of higher education financing in Texas.

Texas' system of public higher education consists of 38 general academic institutions, 50 community colleges, one technical college system, and nine health related institutions. In addition there are seven agencies that are components of the Texas A&M University System.

Funds flow to public institutions and agencies of higher education in a number of ways; direct appropriations through funding formulas, indirect appropriations to cover the costs related to staff benefits, and other sources like the Available University Fund and trusteed funds at the Texas Higher Education Coordinating Board.

The *Financing Higher Education In Texas, Legislative Primer* explains in detail all of these funding mechanisms for the general academic institutions, the health related institutions, and the community colleges.

The full text of this report can be found in *Financing Higher Education In Texas, Legislative Primer* (Legislative Budget Board, January 2011).

SUMMARY OF HIGHER EDUCATION SPECIAL ITEMS

REPORT HIGHLIGHTS

- ◆ Special item funding has grown 85 percent over the past five biennia.
- ◆ Health-related institution's share of total special item funding has increased over the past five biennia.
- ◆ Twelve special items that were reported as "start up" funding by the institutions are more than six years old.

This report does not include any recommendations. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It summarizes funding for higher education special items in the 2010–11 biennium.

The Eighty-first Legislature, Regular Session, 2009, directed the Legislative Budget Board and the Higher Education Coordinating Board to study special item funding in the 2010–11 General Appropriations Act through Section 54 of the Special Provision Relating Only to State Agencies of Higher Education.

Higher Education Special Items are loosely defined as items that are not supported through formula funding and support the special mission of an institution. The number and funding level for each special item is specifically identified by the legislature for each institution.

There are 323 special items listed under the Special Item Goal in the 2010–11 General Appropriations Act totaling \$1,242.6 million. These items range from \$65.6 million for the Paul L. Foster School of Medicine at the Texas Tech University Health Sciences Center to \$45,764 for a coastal zone laboratory at Texas A&M University in Galveston.

The full text of this report can be found in *Summary of Higher Education Special Items* (Legislative Budget Board, January 2011).