



# Hard Choices Ahead: Performance and Policy in Texas Higher Education

Joni Finney and Laura Perna  
University of Pennsylvania, Institute for Research on Higher Education

Patrick Callan  
National Center for Public Policy and Higher Education

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## Overview

Texas has garnered broad public support for a set of statewide goals for higher education: increasing college enrollment, raising the number of degrees awarded, pushing the state's colleges and universities up in the national rankings, and luring more federal research dollars.

And Texas has made progress toward these goals. Notably, compared to a decade ago, many more young Texans are graduating from high school ready to do college-level work, many more are going to college, and many more are finishing their degrees once they do enroll. In recent years, moreover, Texas has been a leader among states in developing policies to align high school course content with the knowledge students need to succeed in college, without taking remedial courses.

But the future of economic growth is at stake. The performance of higher education in Texas still lags well behind that of other states. Unless state leaders prioritize their goals for higher education and develop a plan to pay for them, Texas will be forced to close the doors to college opportunity for thousands of young people—many of them Latino—as a number of warning signs attest:

**Not measuring up:** Despite recent progress, Texas higher education falls below the national average on most measures of performance and below the best-performing states on all of them. Worryingly, Texas ranks 39th among states in the share of adults ages 25 and older who have earned at least an associate degree, at 32%. Yet by 2018, 56% of all jobs in Texas are projected to require some kind of postsecondary education or training. Unless more Texans earn certificates and degrees, and soon, Texas businesses will have no other choice but to look outside the state to find these workers.

**Unrecognized trade-offs:** The admirable goals Texas has set for itself are not fiscally compatible, particularly in tough economic times. The state's ambitious goal to expand seven emerging research universities and to redirect public endowment funds for this purpose reveal little understanding of the serious policy tradeoffs that must be considered if Texas is to achieve significantly higher levels of educational attainment. Boosting research and prestige at public universities is an expensive undertaking that will take funds away from the state's efforts to increase college enrollment and produce more graduates ready for tomorrow's jobs. That's one reason observers including the Governor's Business Council have cautioned the state against creating too many research-intensive universities. Yet state leaders have not recognized these trade-offs or set realistic priorities.

**Affordability and aid:** Texas was once known as a state where low financial aid was offset by low tuition. Now the low tuition is gone, leaving only low financial aid. Despite careful legislative oversight, 2004's tuition deregulation at public four-year institutions sent tuition soaring. By 2009, students at Texas's public universities were paying 72% more in constant dollars than they were just six years earlier. Meanwhile, median family income in Texas, measured in constant dollars, declined by 1.5% from 1999 to 2009.

### Background

Texas's higher education system includes 41 public four-year colleges and universities, 50 public community college districts and one public technical college system, nine public health-related institutions, 57 private not-for-profit four-year institutions, and 52 for-profit institutions.

1.5 million students were enrolled in degree granting institutions in Texas in Fall of 2010, an increase of 47.7% since Fall 2000.

The vast majority (87%) of students enrolled in degree-granting institutions in Texas attend public colleges and universities. Only small shares attend private not-for-profit (8%) or for-profit (5%) institutions.

Community colleges account for the majority (55%) of public enrollments in Texas. Enrollments at community colleges have been increasing faster than at public universities since the mid-1960s.

The state's 41 public four-year institutions are governed by 10 governing boards, whose members are appointed by the governor and confirmed by the Senate. Six of the 10 governing boards are responsible for multiple campuses, and four are responsible for single institutions.

But state funds for financial aid have not kept up with these rising college expenses. And as the state casts about for a solution, students and their families, already burdened by tuition hikes, have been forced to assume more responsibility for funding financial aid, too, through set-asides from tuition increases.

**Racial and economic disparities:** Huge inequities persist in Texas higher education. Among younger adults ages 25-34, 43% of whites hold at least an associate degree, compared to 28% of blacks and only 15% of Hispanics, and black and Hispanic Texans also have substantially lower high school graduation rates than do white Texans. Already, blacks and Hispanics represent half of Texas's population. And as Texas's college-age population expands rapidly in the coming decades—at the fifth-fastest pace in the nation—the state projects that most of that growth will occur among blacks and, especially, Hispanics.

College readiness indicators among Texas high school students show marked disparities:

- In 2008-09, 29.4% of white students were enrolled in advanced courses or dual enrollment courses, compared with 20.8% of Hispanics and 18.1% of blacks.
- Among 11th and 12th graders, 25.1% of white students took at least one Advanced Placement or International Baccalaureate exam in 2009, compared with 17.3% of Hispanics and 12.9% of blacks.
- About 70% of white students were proficient in English Language Arts in 2010, compared with 52% of Hispanics and 51% of blacks. A similar pattern is apparent in math, with 78% of white students identified as proficient, compared with 58% of Hispanics and 49% of blacks.

Texas also faces disparities in college preparation by income. About 23% of students eligible for the federal free and reduced-price lunch program scored at or above proficient on the 8th-grade national math assessment in 2009, compared with 51% of students who were not eligible for this program.

It must be said, however, that Texas has been a national leader in developing strategies to increase college readiness through establishing courses designed to prepare high school students to succeed in college without remedial work. Texas now requires that K-12 schools agree with colleges and universities on what reading, writing and math skills students need to be ready for college; that end-of-course tests be established in Algebra II and English III to assess whether high school juniors are ready for college; and that 12th-grade transition courses be established to help students meet readiness standards that they haven't attained. These strategies hold great promise for increasing educational attainment in Texas.

**Regional differences:** Texas has vast tracts of rural land as well as six of the nation's 100 largest metropolitan areas. Five large regions—the Metroplex, the Gulf Coast, Central Texas, South Texas and the Upper Rio Grande—account for nearly 85% of all Texas students enrolled in postsecondary education, and virtually all of the projected growth in Texas's college-age population. Thus the success of higher education reform in Texas hinges on the state's ability to meet the needs of students living in these regions. Yet these needs vary widely. The regions are distinguished by sharp differences in such factors as the percentage of college-age Hispanics, median family income, the magnitude of achievement gaps, and high school and college graduation rates. For example:

- The gap in college enrollment between whites and Hispanics is greatest at the colleges and universities in Central Texas, which is home to the state's public flagship institutions. High school graduation rates are particularly low in the Gulf Coast.
- In the Metroplex, blacks and whites perform considerably better than Hispanics on indicators of high school graduation and college enrollment.
- Nearly all colleges and universities in South Texas (21 of 22) are predominantly minority serving.
- In the Upper Rio Grande, El Paso has relatively high rates of high school graduation and college enrollment, and small gaps in performance between whites, blacks, and Hispanics, but low rates of college completion for all groups.

These regional differences have made it hard for state leaders to develop a statewide approach to improving higher education performance.

**Community colleges:** Texas lacks coherent policies for meeting the fiscal needs of community and technical colleges, which enroll more than half of all students who seek higher education in the state and disproportionately serve the poor and minorities. Moreover, their enrollments are rising faster than those at four-year colleges and universities. But state appropriations haven't kept up with the rising enrollment. The share of community college expenses that is covered by state appropriations has fallen drastically, from 61% in 1985 to 28% in 2007, and local taxes and tuition have had to make up the difference.

Community colleges are funded by a combination of local taxes, state appropriations and tuition. Locally elected community college boards have sought to expand the taxing

districts—that is, the set of communities that agrees to be taxed to support a community college—within their service areas, which are mandated by the state. The result is a two-tiered tuition system. Residents within the service area but outside the taxing district can pay as much as 50% or more. Communities must vote to join the taxing district, and residents of less affluent communities are often the ones who pay the higher tuition.

### **Conclusion**

The size and rapid growth of Texas's population underscore the need to improve educational attainment. With 25.1 million residents in 2010, Texas is the nation's second most-populous state, and its rate of growth ranks fifth among states. Based on trends in degree production and population growth, Texas will need to increase its production of associate and bachelor's degrees by 11.5% per year by 2020 in order for 55% of its workforce (ages 25 to 64) to hold at least an associate's degree, which is the level of attainment of the best-performing nations.

But Texas's policies for higher education are not well designed to achieve the state's goal of increasing the share of Texans who hold postsecondary degrees.

- Texas needs to decide how it will divide its finite financial resources among its competing goals for higher education: increasing college enrollment, raising the number of degrees awarded, pushing the state's colleges and universities up in the national rankings, and luring more federal research dollars. Experience in other states, such as California, demonstrates that overexpansion of the university research function can come at the expense of educational opportunity. If Texas spreads its finite financial resources among too many priorities, however worthy, it is unlikely to get a handle on the soaring tuition that is threatening to price more and more Texans out of a college education, thus perpetuating racial and economic disparities.
- The state's funding formula, based on enrollment rather than performance, has helped to depoliticize the budget and appropriations process in a decentralized higher education system with sharply different regional priorities, but it does little to ensure that budgets for colleges and universities are aligned with the state's policy goals. In fact, combined with the push to expand research universities, it may unintentionally give institutional leaders incentives to focus more on enrolling students for master's and doctoral programs, which bring more funding than do undergraduate programs, than on increasing access to college for high school graduates. Gov. Rick Perry and the Texas legislature have shown an interest in performance-based funding, which could push public colleges and universities to work toward the state's goals and regional needs, but nothing has yet come of it. Having asked the Texas Higher Education Coordinating Board to make recommendations, the legislature plans to return to the issue of performance funding in its 83rd session in 2013.
- Texas is not meeting the fiscal needs of its community colleges, despite their huge role in postsecondary education. Promisingly, Texas is seeking proposals for a study of community college governance, but any reforms would need to be accompanied by changes in the financing model if they are to be effective.

- Texas must find a way to balance regional needs and statewide priorities. Moreover, Texas must build on its promising efforts to increase college readiness to reduce persistent disparities and increase educational attainment among black, Hispanic and impoverished Texans.

The future of economic and social mobility in Texas depends on the difficult choices that lie ahead for higher education. Are state leaders prepared to make them?

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## **State Review Project on Policy and Performance in Higher Education**

### Purpose of The Project

The National Center for Public Policy and Higher Education's biennial state-by-state report card, *Measuring Up*, shows that, between 2000 and 2008, many states improved their performance on key measures of college preparation, participation, and completion. While shedding light on performance in key areas relative to other states, the report cards do not reveal the policies and practices that contribute to a state's performance or the reasons that some states improved their performance while other states declined. Understanding these issues is a critical step toward identifying how to improve higher education performance within a particular state and subsequently realize the level of degree production required to compete in a global economy. This project improves our understanding of how states can improve degree attainment in the context of fiscal, demographic, and other challenges.

### Methods

This project draws on data collected from case studies of five states: Georgia, Illinois, Maryland, Texas, and Washington. We used a number of data sources to construct the case studies. For each state, existing data sets, media reports, and government and other documents were first used to produce a "briefing book" that described trends in the state's higher education performance, as well as the state's demographic, economic, and political context. The briefing book also presented a preliminary report of the public policies that operate within the state. The briefing books were then used to generate state-specific hypotheses about the relationship between public policy and higher education performance in the state.

We then used state-specific protocols to collect data explaining the relationships between formal and informal policies and state performance. The research team spent three to five days in each state conducting individual and group interviews with institutional and state leaders who were expected to be knowledgeable about particular dimensions of higher education performance and relevant policies and practices. In each state we spoke with elected officials and staff in the executive and legislative branches of government, staff and leaders of administrative agencies and governing boards, K-12 and higher education leaders, business and civic leaders, and leaders of associations representing other relevant constituencies (e.g., private college association). Many of these informants provided us with additional relevant supporting documents. A case study report drawing on the multiple sources of data was produced for each state. Cross-state analyses identify themes that cut across the five states.

### Project Team

This project was completed by a team of researchers from the National Center for Public Policy and Higher Education and The Institute for Research on Higher Education (IRHE). This team was led by Joni Finney and Laura Perna, co-directors of the project and professors of higher education at the University of Pennsylvania. Other members of the project team were Michael Armijo, Awilda Rodriguez, and Jamey Rorison. Scott Stimpfel and Christopher Miller also provided assistance.

### Project Sponsors

The project was sponsored by the Institute for Research on Higher Education at the University of Pennsylvania and the National Center for Public Policy and Higher Education.

Founded in the mid-1980s, the Institute for Research on Higher Education (IRHE) is a university-wide research institute that conducts research relevant to policymakers and educational practitioners. Under the leadership of its first director, Robert Zemsky, one of the first projects, undertaken with the College Board, resulted in the development of a framework for understanding the higher education market for undergraduate education. IRHE also served a national convening role in the 1990s, publishing *Policy Perspectives* focused on the future of American higher education. In 1995 IRHE won the competition for a five-year federally funded National Center on the Improvement of Postsecondary Education. From 2009 to 2011, under the leadership of its new director, Joni Finney, IRHE collaborated with the National Center for Public Policy and Higher Education to complete a five-state policy review, to determine the relationship between public policy and state performance in higher education. For further information about the state policy review project, visit [www.gse.upenn.edu/irhe/srp](http://www.gse.upenn.edu/irhe/srp).

Founded in 1740 by Benjamin Franklin, the University of Pennsylvania is America's first university and one of the world's premier research universities. The Penn Graduate School of Education (Penn GSE)—one of only three schools of education in an Ivy League institution—is recognized as one of the best in the United States. Penn GSE is broadly interdisciplinary with a long history of excellence in qualitative research, language and literacy studies, practitioner inquiry and teacher education, quantitative research, policy studies, evaluation, higher education, and psychology and human development. Faculty in the School's Higher Education Division focus their research on access and equity; diversity and higher education; policy and public financing; civic engagement; organizational change; and the impact of the marketplace on colleges and universities.

The National Center for Public Policy and Higher Education promotes public policies that enhance Americans' opportunities to pursue and achieve high-quality education and training beyond high school. As an independent, nonprofit, nonpartisan organization, the National Center prepares action-oriented analyses of pressing policy issues facing the states and the nation regarding opportunity and achievement in higher education—including two- and four-year, public and private, for profit and nonprofit institutions. The National Center communicates performance results and key findings to the public, to civic, business, and higher education leaders, and to state and federal leaders who are in positions to improve higher education policy.

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