
STREAMLINING AND EVALUATING TUITION AND FEE EXEMPTION AND WAIVER PROGRAMS

For 80 years, the state of Texas has entitled numerous groups of students to pay reduced or, in some cases, no tuition and fees to attend its public institutions of higher education. In recent fiscal years, the state has foregone more than \$250 million annually in tuition and fee revenue by discounting or eliminating charges to select categories of recipients—more than 150,000 a year on average (since 2005) across 57 different exemption and waiver programs. The \$319 million discounted in fiscal year 2007 is significant when compared to the \$435 million disbursed that same year in conventional state student financial aid, exceeding the amount awarded in Toward EXcellence And Success (TEXAS) Grants.

The lack of a consolidated statutory structure for these programs encourages proliferation, redundancy, under-utilization, and inefficient delivery of this type of student financial support, impeding the optimal achievement of their inherent purposes. Divergent statutory provisions for these programs are not adaptive to changes in educational trends and state and federal policy initiatives, leading to disparities and unintended consequences. Unlike conventional state student financial aid, these programs are unevaluated for access or financial need, unaccountable for performance, and unmonitored for growth, creating uncertainty as to whether legislative intent is fulfilled efficiently and effectively. Streamlining the exemption and waiver statutes by grouping programs into categories and adding uniform provisions and common general requirements would enhance the programs' efficiency. Program evaluation and performance measurement, student-level data collection and periodic reporting, and uniform administrative oversight would enable the Legislature to better gauge how well these discounts are functioning and determine whether any changes are necessary.

FACTS AND FINDINGS

- ◆ From fiscal year 2003 to fiscal year 2007, the value of exemptions and waivers increased at an average annual rate of 13 percent while state financial aid grew at an average annual rate of 9 percent. If these growth rates continue, the value of exemptions and waivers will equal the value of state financial aid by fiscal year 2015.

- ◆ The pertinent statutes for the state's 57 unreimbursed exemption and waiver programs are located in four different chapters of the Texas Education Code and the Texas Government Code. Most exemptions are listed individually in a single subchapter of the Education Code, and most waivers are spread throughout the residency statutes (one is a budgetary rider). In fiscal year 2007, seven programs were unused, 10 had fewer than 10 recipients, and one had been superseded. Twenty programs further academic purposes; two directly promote economic development; four recognize public service or promote public safety; 13 serve military personnel or veterans and their families; 10 foster interstate cooperation and international relations; and eight address special individual or familial circumstances.
- ◆ The statutes governing exemptions and waivers contain divergent provisions regarding eligibility, maintenance requirements, cumulative benefit values, and time frames and duration. Eighteen exemptions and/or waivers are optional at institutions' discretion; the rest are mandatory. The state directly reimburses institutions for four programs; thus, they are not administered as exemptions.
- ◆ The Texas Higher Education Coordinating Board has calculated performance measures for recipients of military waivers and the Hazlewood (veterans) exemptions. The lack of student-level data precludes comparable information for all other exemption and waiver programs benefiting more than 166,000 recipients and worth more than \$283 million in fiscal year 2007. Although there is some overlap with conventional financial aid, most recipients' actual levels of financial need are unknown.
- ◆ At the institution level, one or more campus offices, but usually not student financial aid, administer and interpret exemption and waiver programs, statutes, and rules and develop their own forms and procedures. The Texas Higher Education Coordinating Board's website embeds consumer-oriented exemption and waiver information in the student financial aid pages

of its Internet website. The amount of information about exemptions and waivers, and the degree of accessibility to them, vary across institutions.

CONCERNS

- ◆ The lack of a statutory framework for tuition and fee exemption and waiver programs that has coherent organization or logical groupings perpetuates program proliferation and impedes the efficient and effective delivery of this type of student financial support.
- ◆ The statutes for tuition and fee exemption and waiver programs are not uniform, often do not use common terminology or definitions, and set few compliance standards. As a whole, they are not adaptable to changes in educational trends and state policy initiatives that may affect the benefits derived by recipients of exemptions and waivers, leading to disparities and unintended consequences.
- ◆ The performance of tuition and fee exemption and waiver programs is seldom measured, and no rigorous program evaluation or outcome analysis has been undertaken. The present level of scrutiny does not allow Texas legislators to identify, enhance, or emulate successful programs, nor will it support oversight of projected growth in the monetary value and utilization of exemptions and waivers.
- ◆ Data reporting/collection of tuition and fee exemption and waiver programs is inconsistent and not well defined. The lack of student-level data limits the state’s ability to measure the performance of exemption and waiver programs or track recipient outcomes.
- ◆ The lack of student-level data in tuition and fee exemption and waiver programs regarding financial need hinders evaluation of the efficiency of state financial support to students.
- ◆ Tuition and fee exemption and waiver programs may be underutilized by eligible students due to the lack of access to consistent and comprehensive information or to ineffective decentralized administration on campuses. Program administration may be overly complicated by the lack of uniformity in the application, documentation, and awarding processes.

RECOMMENDATIONS

- ◆ **Recommendation 1:** Amend the statutes governing tuition and fee exemptions and waivers by repealing unused or superseded programs and consolidating related programs into several broad categories reflecting their purposes and/or target populations: academics, economic development, interstate cooperation and international relations, military, public service and safety, and special circumstances (physical disabilities, personal hardships, etc.).
- ◆ **Recommendation 2:** Amend statutory provisions of tuition and fee exemptions and waivers by adding uniform definitions and common general provisions on benefits and cumulative values, duration, qualifications for initial and ongoing eligibility, maintenance requirements, and desired outcomes, and by clarifying whether each program is optional or mandatory and directly reimbursed or unreimbursed.
- ◆ **Recommendation 3:** Amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to: (1) conduct annual program evaluations for tuition and fee exemption and waiver programs whose annual foregone revenue equals or exceeds \$1 million; (2) measure performance (identifying proficiencies as well as deficiencies); (3) determine the impact on cost of attendance; and (4) report its findings to the appropriate entities by November 1 of even-numbered years. Amend Texas Education Code, Section 61.066, to require the agency to include exemptions and waivers among the student resources used to cover cost of attendance and reported in the biennial cost of attendance study.
- ◆ **Recommendation 4:** Include a contingency appropriation rider in the 2010–11 General Appropriations Bill authorizing 1.5 full-time-equivalent positions at the Texas Higher Education Coordinating Board to implement Recommendation 3. The rider would appropriate \$225,000 in General Revenue Funds.
- ◆ **Recommendation 5:** Amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to collect student-level data for all tuition and fee exemption and waiver

recipients, as is currently done for recipients of state and federal student financial aid.

- ◆ **Recommendation 6:** Include a contingency appropriation rider in the 2010–11 General Appropriations Bill authorizing a 0.5 full-time-equivalent position at the Texas Higher Education Coordinating Board to implement Recommendation 5. The rider would appropriate \$75,000 in General Revenue Funds.
- ◆ **Recommendation 7:** Amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to develop rules that require all exemption and/or waiver recipients to complete either the Free Application for Federal Student Aid or the ApplyTexas Application, as determined most appropriate by the agency, to enable evaluation of the efficiency of state financial support to students.
- ◆ **Recommendation 8:** Amend Texas Education Code, Chapter 61, Subchapter C, to grant the Texas Higher Education Coordinating Board rule-making authority over all tuition and fee exemption and waiver programs and require the agency to develop rules to streamline application and documentation for the awarding of exemptions and waivers and to maintain a central repository online of all tuition and fee exemption and waiver program information. Amend Texas Education Code, Chapter 54, Subchapter A, to require public institutions of higher education to designate ombudsmen or responsible campus offices to administer all tuition and fee exemption and waiver programs.

DISCUSSION

The Texas Legislature creates tuition and fee exemptions and waivers in statute. This authorized subsidization reduces recipients' bills through exemptions from tuition and most fees charged to Texas residents or through waivers of nonresident tuition and some fees charged to out-of-state students. It is up to students to learn whether they may be eligible for a program and seek an exemption or waiver when they apply for admission or subsequently register for classes.

Most exemption and waiver programs are implemented by Texas public colleges and universities. They process applications, determine eligibility, verify documentation, and adjust billing, often through more than one office (and not always the same office across campuses). Institutions also

report data on usage levels and dollar values to the Texas Higher Education Coordinating Board (THECB), which administers a few programs.

These discounts have grown incrementally into 57 separate and uncoordinated programs. Most of the programs are mandated by the state, but some are discretionary. The discounts are not directly reimbursed to colleges and universities, which replace the lost revenue from various sources (including a higher "sticker price" for tuition). Exemptions represent primarily institutional (non-state) funds, whereas waivers represent appropriations because they affect statutory tuition exclusively. These subsidies constitute an important form of student financial support, providing more than \$319 million worth of assistance to more than 182,600 recipients in fiscal year 2007. Both of those totals exceeded those of Toward EXcellence And Success (TEXAS) Grants; exemptions and waivers' monetary value was more than 82 percent greater, and the number of recipients was almost three-and-one-half times larger.

Since the THECB's adoption in 2000 of *Closing the Gaps by 2015*—the statewide strategic plan for higher education—and the onset of tuition deregulation, few attempts have been made to reexamine tuition and fee exemptions and waivers holistically. In 2006, as mandated by legislation enacted by the Seventy-ninth Legislature, 2005, THECB issued *An Evaluation of Exemption and Waiver Programs in Texas*. This report made many valuable findings and viable recommendations, but none were implemented. However, the issues raised in the report remain valid, especially as they relate to the state's priorities of broader student access and greater success in the context of institutional accountability and educational affordability.

MONETARY VALUE OF EXEMPTIONS AND WAIVERS

As shown in **Figure 269**, the overall monetary value of waivers was more than double that of exemptions, although almost three times as many exemptions were granted as waivers.

In fiscal year 2007, exemptions and waivers represented a discount of approximately 8 percent of total tuition and fee charges billed to students before any adjustments were made. Exemption and waiver recipients comprised about 17 percent of all students enrolled at public colleges and universities.

When the \$319 million in exemption/waiver discounts are included with the \$435 million in conventional state student financial aid, they represent 42 percent of the resultant \$754

FIGURE 269
TUITION/FEE CHARGES, COLLECTIONS, AND DISCOUNTS, AND EXEMPTION/WAIVER RECIPIENTS, FISCAL YEAR 2007

TUITION/FEES (IN MILLIONS)		STUDENTS/RECIPIENTS	
Charges (unadjusted gross)	\$4,044.2	Total enrollment	1,101,174
		Non-exemption and waiver enrollment	918,526
Discounts (exemptions and waivers)	\$319.1	Exemption and waiver recipients	182,648
Exemption discounts	\$98.1	Exemption recipients	133,628
Waiver discounts	\$221.0	Waiver recipients	49,020
Discounts (exemptions and waivers) as share of charges	8%	Exemption and waiver recipients as share of enrollment	17%

SOURCE: Texas Higher Education Coordinating Board.

million in combined total assistance. From fiscal year 2003 to fiscal year 2007, the value of exemptions and waivers increased at an average annual rate of 13 percent while state financial aid grew at an average annual rate of 9 percent. If these growth rates continue, the value of exemptions and waivers will equal the value of state financial aid by fiscal year 2015.

NEED TO REFORM EXEMPTIONS AND WAIVERS

There are basic deficiencies in this virtually unevaluated yet burgeoning facet of Texas’ student financial assistance system. Legislative Budget Board staff formulated six proposals to simplify and clarify the law, evaluate programs, measure performance, track outcomes, collect data, and improve accessibility and administration.

The statutory structure for exemption and waiver programs is unwieldy and lacks coherent organization or logical groupings. The relevant statutes are located in Texas Education Code, Chapters 54, 65, and 130 and Texas Government Code, Chapter 615. Most exemptions are listed individually in a single subchapter of the Education Code, but they are not arranged logically or organized coherently. Most waivers are embedded within the tuition rate statutes dealing with residency. One waiver is a rider in the Eightieth Legislature, General Appropriations Act, 2008–09 Biennium. In their current formats, the relevant portions of the codes are not easily accessible or conducive to amendment or enhancement. The statutes should clearly delineate exemptions and waivers in separate subchapters, use consistent terminology, and denote which ones are optional and reimbursed.

The current statutory structure perpetuates the proliferation of programs and furthers redundancy, inhibiting the determination of duplication across programs. In fiscal year 2007, seven programs were unused, three programs had fewer than 10 recipients, and one had been superseded. Twenty of them further academic purposes; 2 directly

promote economic development; 10 foster interstate cooperation and international relations; 13 serve military personnel or veterans and their families; 4 recognize public service or promote public safety; and 8 address special individual circumstances (physical disabilities, personal hardships, etc.).

Clarifying the existing statutes would make them easier to revise or reform, interpret, and implement. Streamlining and consolidating would allow more discrete quantification and enable the Legislature to better monitor, regulate, and/or modify usage of exemptions and waivers, especially within broad categories. The current structure perpetuates a disorderly, inefficient, and ineffective delivery of this type of student financial support, impeding the achievement of legislative purposes.

Recommendation 1 would amend Texas Education Code, Chapter 54, Subchapters D and B, to streamline exemption and waiver programs by repealing unused or superseded programs, consolidating related programs, and reordering the statutes to reorganize programs into several broad categories reflecting their purposes and/or target populations: academics, economic development, interstate cooperation and international relations, military, public service and safety, and special circumstances (physical disabilities, personal hardships, etc.).

The statutes governing exemptions and waivers should include uniform provisions and be adaptable to changes in educational trends and state and federal policy initiatives, while avoiding disparities and unintended consequences. However, the statutes are not uniform, do not use common terminology or definitions, and set few compliance standards. They contain divergent provisions regarding eligibility, maintenance requirements, benefit values, and time frames and duration. Exemption and waiver programs often differ in how students qualify, when they may (and may no longer) enter programs, how they remain in programs, how much

they receive in discounts, and how long they may continue to benefit. **Figure 270** shows the largest and smallest exemption and waiver programs.

Of the exemptions granted during fiscal year 2007, about 75 percent of the monetary value and almost 84 percent of recipients were concentrated in only six programs. Three programs—high school/community college dual enrollment, Hazlewood (veterans), and the Texas Tomorrow Fund—accounted for more than half the monetary value. High school students dually enrolled in community college courses represented 41 percent of the recipients, while veterans and the Texas Tomorrow Fund each accounted for 7 percent of recipients.

Of the waivers granted during fiscal year 2007, approximately 82 percent of the monetary value and almost 79 percent of recipients were concentrated in only five programs. Almost one-third of the monetary value benefited teaching and research assistants, who also comprised the largest single category of recipients (almost double the next largest group, military).

Benefit values range from as low as one fee per term to as high as all tuition and fees for life, as long as the recipient is enrolled. Most are of unlimited duration. The cumulative

value of the benefit to individual recipients within each program is unknown. As shown in **Figure 271**, the average annual value of an exemption was \$734 per recipient, whereas the average annual value of a waiver was \$4,509 per recipient.

The benefit values for individual exemption and waiver recipients vary considerably by type and institution. The higher average value of waivers compared to exemptions is most likely due to nonresident tuition rates being much higher than resident tuition rates. Similarly, four-year universities typically are more expensive than two-year community colleges. The cost of foregoing tuition/fee revenue may be expressed in terms of those students who do not receive exemption and waiver discounts. Based on 2007 enrollment, their share of this subsidization was \$347 per capita in fiscal year 2007 (see **Figure 272**).

There is a high degree of variation in definitions and terminology across programs. The 38 target populations encompass valedictorians and competitive scholarship recipients, veterans and peace officer dependents, border state residents, and Mexican nationals. Initial eligibility requirements reflect narrowly focused efforts aimed at assisting specific groups, rather than a concerted effort to

FIGURE 270
TUITION/FEE EXEMPTION AND WAIVER PROGRAM USAGE, FISCAL YEAR 2007

EXEMPTIONS	VALUE (IN MILLIONS)	RECIPIENTS	WAIVERS	VALUE (IN MILLIONS)	RECIPIENTS
LARGEST					
High school/community college dual enrollment	\$22.4	54,180	Teaching/research assistants	\$72.9	14,886
Hazlewood (veterans)	19.6	9,096	Competitive scholarships (undergraduate academic)	40	6,961
Texas Tomorrow Fund contracts	12.9	9,537	Competitive scholarships (graduate academic)	37.3	6,690
Irrelevant fees	9.8	12,574	Military in Texas	16	7,385
Deaf/blind students	7.1	3,530	Mexican citizens	15.1	2,625
Concurrent enrollment/Minimum tuition	5.4	10,849	Competitive scholarships (undergraduate non-academic)	9.4	1,767
SMALLEST					
National Guard (fees)	0.005	7	Nursing graduates	0.01	5
Prisoners of war	0.001	1	Radiology at MSU	0	0
Children of POWs/MIAs	0	0	Foreign Service officers	0	0
Tuition reduction	0	0	Public health	0	0
Prorated fees	0	0	Continuously enrolled military personnel	0	0
TOTAL	\$98	133,628	TOTAL	\$221	49,020

SOURCE: Texas Higher Education Coordinating Board.

**FIGURE 271
AVERAGE ANNUAL EXEMPTION AND WAIVER BENEFIT
PER RECIPIENT, FISCAL YEAR 2007**

BENEFIT CATEGORY	VALUE
Combined overall	\$1,747
Exemptions	\$734
Universities	\$1,237
Community colleges	\$466
Waivers	\$4,509
Universities	\$5,461
Community colleges	\$1,032

SOURCE: Texas Higher Education Coordinating Board.

**FIGURE 272
AVERAGE ANNUAL DISCOUNT VALUE PER NON-RECIPIENT,
FISCAL YEAR 2007**

Exemption and Waiver Tuition/Fee Discounts	\$319.1 million
Non-recipient Enrollment	918,526
Per Capita Share	\$347

SOURCE: Texas Higher Education Coordinating Board.

help similarly situated individuals. Nine programs tie eligibility to enrollment either in a degree plan (five specify which ones) or for a certain number of semester credit hours. About a dozen have residency criteria, and five take financial need into account. Only four specifically require proof of eligibility, but colleges and universities typically require some type of documentation, according to THECB’s 2006 evaluation report.

Compliance standards and maintenance requirements for ongoing eligibility also vary for exemption and waiver programs. Only two programs mandate continuous enrollment, satisfactory academic progress, or other standards. This lack of uniformity obscures whether recipients are making progress toward desired outcomes. To enhance student success, some programs could limit time to degrees and/or require degree awards. Student access and method of finance vary as well for programs. Eighteen exemptions and/or waivers are optional at institutions’ discretion, while 39 are mandatory. Four programs are directly reimbursed by the state, while 57 are not. Campus administration is complicated by these differences.

Educational trends along with recent state policy initiatives such as *Closing the Gaps*, tuition deregulation, and residency reform may be affecting the relative value of benefits derived by exemption and waiver recipients. The lack of uniform provisions allows disparities and unintended consequences, which, if unaddressed, create inequities in relative benefit

values. Survivors of various deceased public servants are entitled to room, board, and textbooks, for example, whereas dependents of disabled fire fighters and peace officers are not.

Few, if any, significant across-the-board policy changes or program enhancements to exemptions and waivers have been considered formally by the state in recent years, and the state lacks sufficient pertinent information to do so. Exemption and waiver programs generally are not adaptive to changes in educational trends and state policy initiatives and do not conform to *Closing the Gaps*. Moreover, some programs may be incongruent with other current state goals, policies, and priorities, or changes at the federal level. Moving tuition/fee exemption and waiver statutory provisions toward more uniformity would improve program efficiency and alignment with state higher education goals and policies while supporting the state’s emphasis on accountability and outcome-based assistance.

Recommendation 2 would amend Texas Education Code, Chapters 54, 65, and 130, and Texas Government Code, Chapter 615, by adding uniform definitions and common general provisions on benefits and cumulative values, duration, qualifications for initial and ongoing eligibility, degree program enrollment, satisfactory academic progress, and desired outcomes. It also would clarify whether each program is optional or mandatory and directly reimbursed or not reimbursed.

PROGRAM EVALUATION AND REPORTING

In fiscal year 2007, 17 percent of all students enrolled in Texas public colleges and universities received at least one unreimbursed exemption or waiver. The number of recipients increased 92 percent from fiscal years 2001 to 2007, with exemptions growing more rapidly than waivers (166 percent to 9 percent, respectively). The most widely used programs could be categorized as serving academic purposes. Growth this decade in the number of exemption and waiver recipients and the value of tuition/fee discounts is outpacing growth in public college and university enrollment. Yet, the state is unable to fully monitor or adequately explain changes in exemption and waiver programs in terms of dollars discounted, students served, or benefit values per recipient. Evaluating and reporting on these entitlements using student-level data would provide essential insights into program dynamics and the factors influencing them, better gauge exemption and waiver impact, and alert lawmakers to the potential need for changes.

Individual benefit values also vary greatly by program, both for exemptions and waivers. Because of their relationships to tuition and fee amounts, exemptions and waivers are the only form of student financial assistance that mirror inflation. However, those providing the greatest values to individuals, on average, may not be those with the highest overall values or the most recipients, as shown in **Figure 273**.

The value and usage of exemption and waiver programs is growing, in some cases exponentially, especially exemptions (see **Figure 274**). Since fiscal year 2001, all but one of the 18 programs with the highest overall dollar values in fiscal year 2007 increased those values by at least double-digit percentages (12 by triple digits). While the number of recipients has not increased as dramatically (three programs declined, one was virtually unchanged), average individual values all rose. Nine programs more than doubled in overall value, and three more than doubled in recipients. Academic programs, particularly dual credit and the Texas Tomorrow Fund, and those addressing special circumstances increased both their dollar values and number of recipients.

On average, 41 percent of exemption programs and 75 percent of waiver programs provided recipients with at least \$1,000 worth of annual benefits (discounts) in fiscal year 2007. The exemptions and waivers most beneficial monetarily to individual recipients, on average, are not necessarily those programs having the most recipients or the highest overall dollar values. Only two of the eight most individually beneficial exemptions and none of the five most individually beneficial waivers were among the most costly or widely used in fiscal year 2007. The average annual benefit value per exemption recipient ranged from \$4,282 to \$179 (calculated median value: \$800). For waiver recipients, the range was \$10,095 to \$388 (calculated median value: \$4,952). Teaching/research assistants were the largest single waiver program in terms of both overall value (almost \$73 million) and number of recipients (almost 15,000). But TAs/RAs were in the mid-range of average benefit value per recipient at slightly less than \$5,000. The top four programs were the biomedical M.D./Ph.D. scholars, Western Hemisphere

nations (“Good Neighbor”), economic development, and The University of Texas System science and technology employees, each of which exceeded \$8,700 per recipient.

Although some of these disparities may be explained by variations in tuition rates and fee amounts across degree programs and institutions or by student characteristics such as course loads and persistence rates, questions arise as to the role of internal factors, namely, the lack of uniformity in benefits and the parameters affecting them, or the way programs are administered. If the latter were the case, it could raise issues regarding unintended consequences, fairness, and legislative intent. The answers will not be forthcoming, however, without rigorous program evaluation.

THECB has calculated a few performance and outcome measures, such as enrollment and graduates, for the recipients of military waivers (7,385 granted in fiscal year 2007 worth more than \$16 million) and the Hazlewood exemptions (more than 9,000 granted in fiscal year 2007 worth more than \$19.6 million). However, comparable information is not available for more than 166,000 other exemptions and waivers granted in fiscal year 2007 and valued at approximately \$283 million. THECB lacks student-level data to track inputs or explanatory and outcome variables, such as affordability, access, part-time enrollment, critical-shortage areas, transfers, grade-point average, persistence and graduation rates, *Closing the Gaps* targets, or their relationships to program costs. While the 2006 THECB report produced at the Legislature’s direction provided a focused overview, no rigorous exemption and waiver program evaluation or trend analyses were mandated or undertaken. Although THECB occasionally conducts internal audits of the four reimbursed programs it oversees, it seldom evaluates their performance. Currently, the extent to which exemptions and waivers are producing desired results largely is unknown; consequently, the state is unable to ascertain the return on its investment.

Unlike financial aid paid directly or credited to students in sums certain applicable toward their college education, exemptions and waivers are discounts applied to students’ charges that reduce certain portions of their bills. Financial

FIGURE 273
MOST INDIVIDUALLY BENEFICIAL PROGRAMS, FISCAL YEAR 2007

TYPE	PROGRAM	AVERAGE VALUE PER RECIPIENT	OVERALL VALUE		RECIPIENTS	
			DOLLARS	RANK	NUMBER	RANK
Exemption	Highest-ranking high school graduates	\$4,282	\$4.6 million	7	1,077	13
Waiver	Biomedical M.D./Ph.D. scholars	\$10,095	\$0.9 million	15	87	19

SOURCE: Texas Higher Education Coordinating Board.

FIGURE 274
CHANGES IN SELECTED EXEMPTION AND WAIVER PROGRAMS, FISCAL YEARS 2001 TO 2007

PROGRAM (MOST OVERALL \$ DISCOUNTED, 2007)	VALUE (IN MILLIONS)			RECIPIENTS			AVERAGE VALUE PER RECIPIENT		
	2001	2007	PERCENTAGE CHANGE	2001	2007	PERCENTAGE CHANGE	2001	2007	PERCENTAGE CHANGE
EXEMPTIONS									
Dual High School/Junior College Enrollment	\$4.2	\$22.4	430	17,073	54,180	217	\$248	\$414	67
Hazlewood (veterans)	7.5	19.6	161	7,589	9,096	20	991	2,159	118
Texas Tomorrow Fund/Public University (program began 2004)	3.4	13.0	284	3,692	9,537	158	917	1,362	49
Deaf and Blind Students	2.6	7.1	175	2,365	3,530	49	1,096	2,016	84
Highest-ranking High School Scholars	1.8	4.6	158	967	1,077	11	1,850	4,282	131
Foster Care Students	0.5	3.4	523	478	1,689	253	1,133	1,996	76
Dual High School/College Enrollment (program began 2004)	0.4	3.3	676	2,541	4,615	82	169	722	327
TOTAL	\$16.7	\$73.5	341	28,472	83,724	194	\$6,404	\$12,951	102
WAIVERS									
TAs/RAs	\$51.0	\$72.9	43	14,809	14,886	1	\$3,444	\$4,895	42
Competitive Scholars (4 combined total)	47.7	86.9	82	10,517	15,466	47	4,533	5,620	24
Military in Texas	12.1	16.0	32	10,545	7,385	(30)	1,150	2,170	89
Mexican Citizens	9.1	15.1	67	1,746	2,625	50	5,199	5,767	11
Border Counties/Parishes	6.9	8.6	24	2,133	1,886	(12)	3,258	4,577	40
Border States	1.8	4.8	170	2,092	2,865	37	855	1,684	97
College Teachers/Professors, et al.	1.5	4.0	169	673	818	22	2,194	4,848	121
"100-mile" Schools	3.8	3.3	(14)	907	627	(31)	4,193	5,204	24
TOTAL	\$133.9	\$211.7	58	43,422	46,558	7	\$24,826	\$34,765	40

SOURCE: Texas Higher Education Coordinating Board.

aid is based on need or merit, whereas exemptions and waivers benefit only select groups based on specific criteria. Furthermore, these criteria often are linked to conditions or trends unrelated to academics or, due to program variation, each other. Evaluating the major exemption and waiver programs would enable the state to connect the factors affecting usage of this assistance to what it is producing and determine its acceptability.

Inconsistent reporting, dissemination, and analysis of exemption and waiver usage and value data hinder the state's ability to periodically review and oversee these subsidies for any trends affecting their impact or utilization. Educational trends, such as more non-traditional students, along with tuition deregulation, continue to alter the higher education

landscape. The state lacks sufficient information to gauge the impact of such trends, make causal determinations, or act decisively upon them. Currently, little if any critical trend analysis is performed. Most programs are of unlimited duration with no attendant progress measures or expected outcomes. The oldest program dates back to 1929; the most recent, 2005; and, not unlike many legislative sessions, changes were made to a few programs in 2007. Rigorous program evaluation using student-level data would better position the state to explain results in terms of educational trends and state and federal policy initiatives.

Legislators have a dearth of pertinent, updated reviews at their disposal if and when they wish to exercise oversight, make changes or improvements to existing programs, or

create new ones. Critical-needs fields, such as education (i.e., teaching), science, technology, engineering, and mathematics could be targeted, which could help boost national recognition and increase federal science and engineering research contracting (two *Closing the Gaps* goals). Program evaluation would enable THECB—or colleges and universities—to recommend ways to improve existing program parameters or to devise new ones, such as limits on benefits or tenure, disclosure of subsidy costs, other states’ initiatives, and statutory updating.

Recommendation 3 would amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to: (1) conduct annual program evaluations for tuition and fee exemption and waiver programs whose annual foregone revenue equals or exceeds \$1 million; (2) measure performance (identifying proficiencies as well as deficiencies); (3) determine the impact on cost of attendance; and (4) and report its findings to the appropriate entities by November 1 of even-numbered years. Program evaluation would allow growth comparisons to be made among the most costly and widely used programs as well as with such external factors as gross (unadjusted) tuition/fee charges, all conventional state student financial aid, and enrollment. **Figure 275** shows how such comparisons could be drawn at a high level using gross and combined

total amounts. Doing so would bring exemptions and waivers into the calculus of the key components of meeting college costs and indicate to what extent the more significant trends in exemptions and waivers are attributable to them, and vice versa.

Also, Recommendation 3 would amend Texas Education Code, Section 61.066, to include exemptions and waivers in the resources used by students to cover college costs and reported in the biennial cost of attendance study. The military/veterans programs also should be re-examined in light of the enhanced educational benefits contained in the recently enacted GI bill.

Currently, no distribution mechanisms exist for exemption and waiver data. Some of these data are available in multiple THECB databases and reports, but no definitive documentation or dissemination is required upon collection, making monitoring and oversight problematic. Having THECB make such findings readily available in similar or greater detail (i.e., at the student level) in its annual student financial aid report should improve both the quality of data submitted by colleges and universities and its usefulness to legislators, stakeholders, and the general public.

The state is not in a position to identify patterns, monitor trends, or explain variations in benefit values or program

FIGURE 275
COMPARISONS OF TUITION/FEE DISCOUNTS; EXEMPTION AND WAIVER RECIPIENTS; ENROLLMENT; AND CONVENTIONAL STATE STUDENT FINANCIAL AID, FISCAL YEARS 2001 TO 2007 (IN MILLIONS)

	2001	2002	2003	2004	2005	2006	2007	PERCENTAGE CHANGE 2001–2007
TUITION/FEE DISCOUNTS								
(foregone revenue from exemptions and waivers)	\$162.2	\$174.2	\$194.6	\$221.3	\$260.2	\$298.6	\$319.1	97
Exemptions	27.3	29.6	34.3	41.4	57.1	71.5	98.1	259
Waivers	134.9	144.7	160.3	179.9	203.1	227.0	221.0	64
Conventional State Student Financial Aid Disbursements	\$186.4	\$256.5	\$309.6	\$303.8	\$325.8	\$400.6	\$435.3	134
STUDENTS								
Enrollment (public colleges and universities)	922,183	985,285	1,023,066	1,054,586	1,066,606	1,082,955	1,101,174	19
Exemption and Waiver Recipients	95,349	125,728	126,457	130,326	149,608	158,816	182,648	92
Exemptions	50,176	73,898	76,880	81,660	98,877	108,090	133,628	166
Waivers	45,173	51,830	49,577	48,666	50,731	50,726	49,020	9
Conventional State Financial Aid Recipients	76,538	119,967	135,984	132,004	124,254	133,087	128,056	67

SOURCES: Legislative Budget Board; Texas Higher Education Coordinating Board.

activity from year to year because it does not centrally administer the vast majority of exemption and waiver programs, nor are the data collected from the colleges and universities analyzed or interpreted. Currently, program data collection is inconsistent and not well defined. Data are submitted by the institutions to THECB annually (by the end of each December; three times a year for veterans programs) but from different offices on each campus and with varying degrees of accuracy. (There is no verification or cross-checking with the Financial Aid Database System, or FADS.). Some programs are not included—specifically, the four that are directly reimbursed by the state and function more like scholarships—so that they are not treated by THECB as exemptions. Some programs have been miscategorized in colleges and universities' reports to THECB as "other."

This arrangement precludes identification of factors contributing to programs' productivity, or the lack thereof. Moreover, the state should be able to identify program cost drivers including, but not limited to, duplication of benefits, fees not required for enrollment, repeated/dropped courses, high-cost courses, time to degree, multiple degrees, and graduate semester credit hours. External factors, such as economic conditions and educational trends and policies, also should be examined for their possible effects on exemptions and waivers' relative benefit value to recipients. These determinations require more accurate, timely, and robust data than are being gathered at present.

The colleges and universities' missions, priorities, and constituencies vary such that they do not all emphasize or utilize the same programs equally. The lack of uniformity across programs obscures how well recipients are being served. Consequently, the extent to which these discounts benefit their target groups, and the state as a whole, largely is unknown. For example, THECB administers the exemption and waiver programs serving military personnel and veterans but is unsure how many are eligible and/or unserved. More than one-third of the state's highest ranking high school graduates do not receive the optional valedictorian exemption, which applies only to the first two semesters' tuition (and must be used within two years of graduation).

Recommendation 5 would amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to collect student-level data, including usage levels and benefit values, for all exemption and waiver recipients, as is currently done for recipients of state and federal student financial aid. Doing so would

facilitate evaluation and measurement. Analyzing student-level data would enable the state to better evaluate whether the original legislative intent is being fulfilled and whether the incentives provided are sufficient to accomplish that intent. Student-level data would allow estimates of the percentage of eligible populations being served, including regional differences for optional programs. The state also could ascertain which academic programs or cohorts of students are taking advantage of these benefits over any given time period (see **Figure 276**).

The average values per recipient of the exemptions and waivers categorized as economic development and interstate cooperation/international relations are noticeably higher than most others and well above both the overall average and the waiver programs average. This is attributable to these two categories having relatively small numbers of recipients and no exemption programs. The programs in these two categories are aimed almost exclusively at nonresident students and their families. Waivers provide much greater individual benefits primarily because nonresident tuition is much more expensive than resident tuition.

It is important from an efficiency standpoint to quantify any duplication across programs as well as with conventional state student financial aid. In fiscal year 2007, almost 22,400 exemption and waiver recipients (12 percent) received some amount of conventional student financial aid (state or federal) in addition to \$79.5 million in tuition/fee discounts. Only six unreimbursed programs are need-based, though recipients of some exemptions and waivers by design may be perceived as needy (several could be considered merit-based). Identifying the level of financial need across programs would provide a useful measurement of the programs' impact.

Recommendation 7 would amend Texas Education Code, Chapter 61, Subchapter C, to require the Texas Higher Education Coordinating Board to develop rules that require all exemption and/or waiver recipients to complete either the Free Application for Federal Student Aid (FAFSA) or the online ApplyTexas Application for the purpose of measuring the efficiency of state financial support to students. Specifically, all exemption and waiver recipients should be included in the FADS, with their respective benefit dollar values reported as discounts to the gross cost of attendance. It follows that a better understanding of exemption and waivers' fiscal functions would facilitate estimates of the impact upon tuition charged/collected from non-exemption and waiver students, which currently is not considered.

FIGURE 276
EXEMPTION AND WAIVER PROFILE BY PROPOSED CATEGORY, FISCAL YEAR 2007

PROPOSED CATEGORY	VALUE	PERCENTAGE OF TOTAL	RECIPIENTS	PERCENTAGE OF TOTAL	AVERAGE VALUE PER RECIPIENT
Academics	\$231,136,781	72.4	146,594	80.3	\$1,577
15 exemptions	65,577,655	20.6	114,455	62.7	573
11 waivers	165,559,126	51.8	32,139	17.6	5,151
Economic development	\$1,681,586	0.5	189	0.1	\$8,897
0 exemptions	0	0	0	0	0
2 waivers	1,681,586	0.5	189	0.1	8,897
Interstate cooperation/international relations	\$37,504,147	11.8	8,848	4.8	\$4,239
0 exemptions	0	0	0	0	0
10 waivers	37,504,147	11.8	8,848	4.8	4,239
Military	\$35,686,540	11.2	16,506	9.0	\$2,162
5 exemptions	19,658,134	6.2	9,121	4.9	2,155
3 waivers	16,028,406	5.0	7,385	4.0	2,170
Public service/safety	\$746,237	0.2	355	0.2	\$2,102
3 exemptions	746,237	0.2	355	0.2	2,102
0 waivers	0	0	0	0	0
Special circumstances	\$12,352,036	3.9	10,156	5.6	\$1,216
6 exemptions	12,088,324	3.8	9,697	5.3	1,247
2 waivers	263,712	0.1	459	0.25	575
TOTAL EXEMPTIONS AND WAIVERS (57)	\$319,107,326		182,648		\$1,747
29 exemptions	\$98,070,350		133,628		\$734
28 waivers	\$221,036,976		49,020		\$4,509

SOURCES: Legislative Budget Board; Texas Higher Education Coordinating Board.

PROGRAM ADMINISTRATION

THECB monitoring of exemption and waiver programs is dependent on the information it gathers from the colleges and universities, which administer the vast majority of programs, including 18 optional ones, with little if any scrutiny. Almost all of them are handled at the campus level (chiefly as a billing adjustment), but the responsible offices may vary across institutions or overlap within each school.

While exemptions and waivers reflect state policy, THECB is not tasked with their implementation, for the most part. The wide variety of exemptions and waivers produces a range of administrative tasks for colleges and universities that vary by institution and program. Enhancing data collection and requiring program evaluation should, in turn, yield recommendations for ways to improve the administrative process, including rule-making authority, awareness, outreach, effective decentralization, reporting, uniform application forms, proof of eligibility, deadlines, itemization of discounts on tuition/fee bills, and costs of administration

compared to the benefits provided. Giving THECB rule-making authority would allow for much-needed administrative uniformity while retaining decentralization.

THECB maintains information about exemption and waiver programs on its Internet website, but the agency indicates that publicity by colleges and universities varies widely and is not likely to be consistent. THECB’s website contains program-specific information about exemptions and waivers embedded within listings of other types of financial aid, but it is not comprehensive. Requiring all program information to be contained in a central repository online, to which all institutions would link to via the Internet, would make information available to potential recipients at their primary point of contact—the college or university campus. Including the repository’s Internet link in IHEs’ relevant admissions and registration materials would enhance the usefulness of this connection. It also would make the programs more “user friendly” to students, especially those who transfer or whose

circumstances, and, conceivably, program eligibility change during the course of their college careers.

Designating ombudsmen and/or consolidating offices into, or delegating responsibility to, a single campus office for administration of all exemption and waiver programs would facilitate recipients' usage of these varied and decentralized programs. It also might improve the reporting of usage and value data to THECB, which would enhance the state's ability to measure program performance.

Recommendation 8 would amend Texas Education Code, Chapter 61, Subchapter C, to grant THECB rule-making authority to simplify decentralized administration and enhance accountability. The agency also would be required to maintain a central repository online of all exemption and waiver program information and require colleges and universities to link to it via the Internet. Amendment of Texas Education Code, Chapter 54, Subchapter A, would require public institutions of higher education to designate ombudsmen or responsible campus offices to administer all tuition and fee exemption and waiver programs. THECB's 2006 evaluation report made similar recommendations.

FISCAL IMPACT OF THE RECOMMENDATIONS

Implementation of Recommendation 1 would be feasible within existing budgetary resources.

Implementation of Recommendation 2 would have no net fiscal impact over five years. Institutions of higher education initially would incur costs of adapting to new rules and transitioning to savings from efficiencies in the middle years, resulting in increased access to programs and attendant costs in the latter years.

Implementation of Recommendation 3 would cost \$225,000 in General Revenue Funds for the 2010–11 biennium and would support 1.5 full-time-equivalent (FTE) positions above THECB's current staffing levels. Program evaluation on a regular basis would require additional THECB staff, contracting, or outsourcing.

To fund implementation of this recommendation, Recommendation 4 would include a contingency appropriation rider in the 2010–11 General Appropriations Bill that appropriates \$225,000 in General Revenue Funds for the biennium and authorizes 1.5 FTE positions at THECB.

Implementation of Recommendation 5 would cost \$75,000 in General Revenue Funds for the 2010–11 biennium and

would support a 0.5 FTE position above THECB's current staffing levels. Data management would require additional THECB staff.

To fund implementation of this recommendation, Recommendation 6 would include a contingency appropriation rider in the 2010–11 General Appropriations Bill that appropriates \$75,000 in General Revenue Funds for the biennium and authorizes a 0.5 FTE position at THECB.

Implementation of Recommendations 7 and 8 would be feasible within existing budgetary resources.

Figure 277 details these costs.

FIGURE 277
FIVE-YEAR FISCAL IMPACT OF RECOMMENDATIONS,
FISCAL YEARS 2010 TO 2014

FISCAL YEAR	PROBABLE SAVINGS/ (COSTS) IN GENERAL REVENUE FUNDS	CHANGE IN FULL-TIME-EQUIVALENT POSITIONS COMPARED TO 2008–09 BIENNIUM
2010	(\$150,000)	2
2011	(\$150,000)	2
2012	(\$150,000)	2
2013	(\$150,000)	2
2014	(\$150,000)	2

SOURCE: Legislative Budget Board.

The introduced 2010–11 General Appropriations Bill does not address any of these recommendations.