

Senate Higher Education Committee

Interim Report

November 2016

November 9, 2016

The Honorable Dan Patrick
Lieutenant Governor of Texas
P.O. Box 12068
Austin, Texas 78711

Dear Lieutenant Governor Patrick:

The Senate Higher Education Committee hereby submits our interim report,
including recommendations to the 85th Legislature.

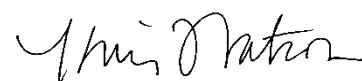
Respectfully submitted,



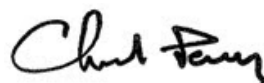
Senator Kel Seliger, Chair



Senator Royce West, Vice Chair



Senator Kirk Watson



Senator Charles Perry



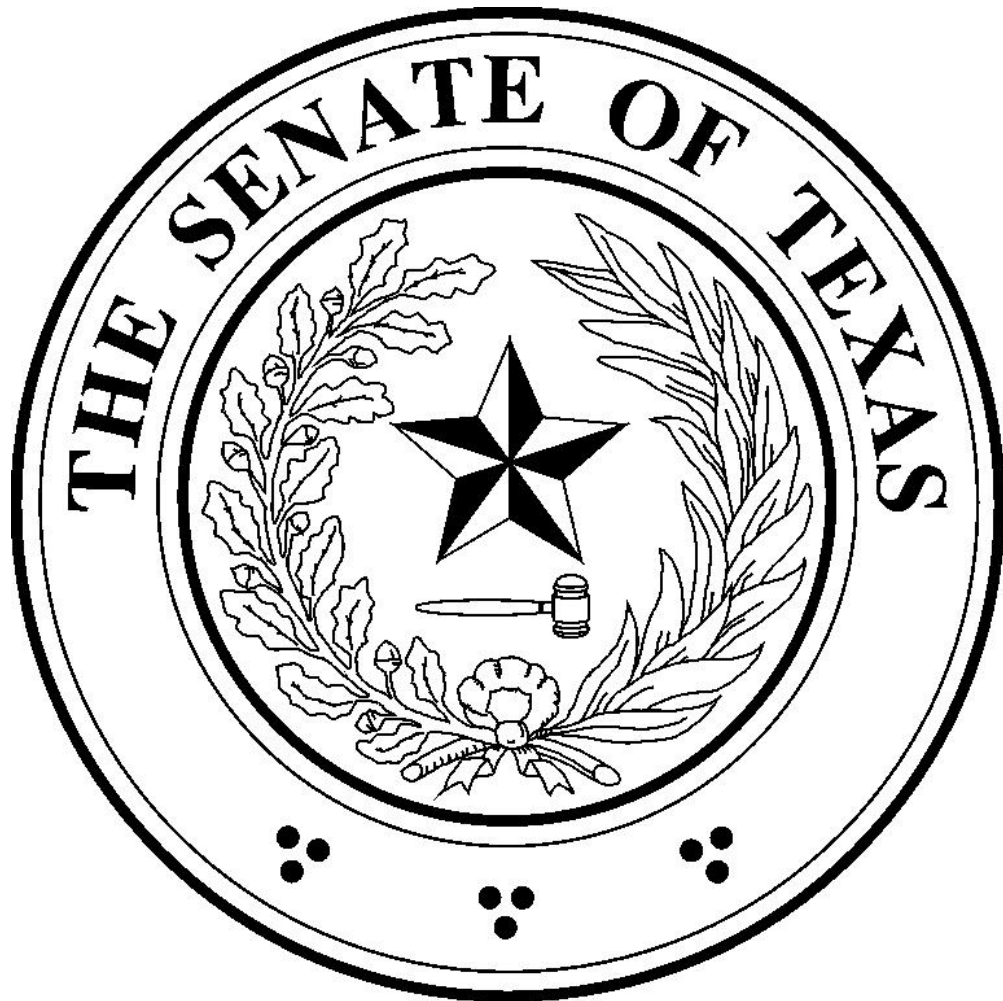
Senator Paul Bettencourt



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Senator José Menéndez



Senate Higher Education Committee

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Acknowledgements

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Texas Public Universities and Systems
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Senate Education Committee

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The Committee also appreciates the numerous Senate staff and community stakeholders for their involvement in developing this report, especially those who provided testimony during public hearings.

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Introduction

On October 12, 2015, Lieutenant Governor Dan Patrick issued the following interim charges to the Senate Higher Education Committee:

1. **Implementation of HB 5:** Monitor the ongoing implementation of HB 5 (83R), and examine current projections for preparation of Texas high school students for postsecondary education and workforce training. Examine best practices and recommend strategies to align the implementation with the 60x30TX higher education plan, including, but not limited to, dual credit, credit transferability, and fields of study. (Joint Charge with Senate Education)
2. **Performance-Based Funding:** Study current funding methods for both general academic institutions and community colleges, examining current performance-based methods of funding for community colleges. Review funding methods used in other states and make recommendations on how to incorporate and/or change student outcome measures in institutional funding to benefit students and promote the education needs of a rapidly growing and changing workforce.
3. **Tuition and Student Debt:** Examine and make recommendations regarding tuition and student debt at public institutions of higher education in Texas. Specifically, study how Texas compares to peer states, variance between institutions, how accountability measures can be used to impact tuition, and increases in tuition since 2003.
4. **Set-asides, Exemptions and Waivers:** Conduct a review of all tuition and fee waivers and exemptions, as well as tuition set-asides currently in law, and examine how students who do not receive the benefits of either bear these resulting costs. Study how other states treat similar populations, whether federal benefits are available, and make recommendations to ensure the efficacy of waivers and exemptions, and tuition set-asides. Examine current financial aid programs, studying their efficacy, and make recommendations on how to provide programs to meet the needs of all students in light of the recent repeal of the state's Top 10% Scholarship program and B-On-Time program.

5. **GAI and HRI Funding:** Conduct a comprehensive review of funding for GAIs and HRIs, examining whether the methodology for funding the same courses is equitable and productive. Make recommendations on how to update and streamline the current funding methods, to provide a consistent methodology that focuses on student success and innovative strategies. Include in the review a focus on tuition-revenue generating special items and formula and research funding for new medical schools.
6. **Baccalaureate Degrees at Community Colleges:** Study regional workforce needs in the state and make recommendations on whether metrics should be applied to authorize public community colleges to offer certain baccalaureate degrees in order to meet the regional workforce needs.
7. **Legislation Oversight:** Monitor the implementation of legislation addressed by the Senate Committee on Higher Education and make recommendations for any legislation needed to improve, enhance, and/or complete implementation. Specifically, monitor the following:
 - Initiatives designed to create effective, clear transfer pathways for students, including the newly enacted multidisciplinary studies associate degree;
 - Implementation and progress of the Math and Science Scholars Loan Repayment Program; and
 - The progress of the pilot program enacted by the 83rd Legislature relating to improving student loan default rates and financial aid literacy among postsecondary students.
8. **Educator Preparation:** Study teacher shortage and retention issues in Texas and evaluate educator preparation programs to determine if these programs are preparing educators for the rigors of the 21st century classroom. In particular, examine the shortages of ELL, special education, and STEM educators across the state and identify the issues creating a shortage. Make recommendations to improve educator preparation throughout the state and increase certification rates. (Joint Charge with Senate Education)

Charge One -- Implementation of HB 5

Monitor the ongoing implementation of HB 5 (83R), and examine current projections for preparation of Texas high school students for postsecondary education and workforce training. Examine best practices and recommend strategies to align the implementation with the 60x30TX higher education plan, including, but not limited to, dual credit, credit transferability, and fields of study.

Testimony

The Senate Higher Education Committee and the Senate Education Committee heard testimony regarding this charge on March 29, 2016. The hearing included invited testimony from the following persons:

- Mike Morath, Commissioner, Texas Education Agency
- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Elijah Granger, Executive Director of Secondary Education and Accountability, Lancaster ISD
- Steve Thomas, PhD, President, Midland College
- Stephen Head, PhD, Chancellor, Lone Star College
- Joe Arnold, Governmental Affairs Manager, BASF Corporation
- H.D. Chambers, Superintendent, Alief ISD

Findings/Analysis

With the passage of House Bill (HB) 5 by the 83rd Legislature, Texas established the Foundation High School Program, under which all high school students will graduate beginning in 2018. One of the primary goals of this legislation was to better prepare high school students for the current job market. In accomplishing this goal, Texas' education and higher education systems and the workforce must collaborate to create a seamless pathway for students, arming them with the skills they need to be successful. It is essential that Texas' high school students graduate ready for their postsecondary path, whether that is entering the job market or earning a postsecondary degree, certification or credential.

House Bill 5 testimony focused on how school districts are managing its implementation and how the state can replicate successful practices. Mike Morath, Commissioner, Texas Education Agency (TEA), reviewed some of the highlights from the District-Level Survey results from the 2014-2015 school year. He stated that the more common endorsements school districts offer are Multidisciplinary Studies, Business and Industry, and Science Technology, Engineering and Mathematics (STEM) endorsements. Commissioner Morath testified that school districts were more likely to implement the endorsements for which they already had course offerings and staff capacity.

Elijah Granger, Executive Director of Secondary Education and Accountability, Lancaster Independent School District (ISD), testified that Lancaster ISD is a STEM-focused district. At Lancaster High School, all five endorsements have an emphasis on STEM courses and preparation begins as early as elementary school. Each elementary school campus is assigned a STEM pipeline and once students reach the 6th grade, they begin taking more STEM classes. This allows students to gain exposure to the different endorsement pathway options they will have in high school and better prepares them to make a selection.

With college admissions standards on the rise, there is some concern about the rigor of the Foundation High School Program because it lacks a mandatory third and fourth year mathematics course in several of the endorsement pathways. Commissioner Morath reported that results from the District-Level Survey showed that 45 percent of school districts who responded plan to offer statistics and 30 percent plan to offer algebraic reasoning as an additional third or fourth year mathematics course option for students. Furthermore, 37 percent of responding school districts reported requiring students to complete algebra II prior to graduating.

Over the last five years, Texas has seen a rise in the number of high school students earning multiple Career Technology Education (CTE) credits. According to data from TEA, students earning multiple CTE credits have increasingly higher graduation rates compared to their peers. Additionally, the number of dual credit courses being completed, as well as the number of students completing them, is on the rise. Commissioner Morath noted that in the 2014-2015 school year, 222,352 dual credit courses were completed and 30,889 of those were CTE courses.

Raymund Parades, Commissioner, Texas Higher Education Coordinating Board (THECB), stated that it is too early to measure how HB 5 has impacted college readiness. He stated that the biggest data point demonstrating the gap between secondary education and higher education is that currently, 40 percent of students who have an "A" grade point average in high school must take a developmental education course once they get to college. Commissioner Morath stated that TEA will soon begin measuring college readiness within the guidelines the Legislature has laid out using one of the successful indicator exams, such as the Texas Success Initiative (TSI), ACT or SAT, using historical data as well.

Stephen Head, PhD, Chancellor, Lone Star College, noted that at Lone Star College, 40 percent of incoming students need developmental education. Lone Star College has been working with school districts in the area to use the PSAT exam to better determine while students are still in high school if they are on the path to being college ready upon graduation.

In addition to the statewide concern regarding college readiness, Joe Arnold, Governmental Affairs Manager, BASF Corporation, noted the extensive workforce gap the chemical industry has experienced in the last several years. Currently, the chemical industry has \$45 billion in expansions underway, but not enough qualified applicants to fill the newly created positions. Mr. Arnold stated that the Texas Chemical Council was very pleased with the passage of HB 5, and believes it will bring a positive systemic change to the relationship between education and the workforce.

The workforce relies directly on Texas' education system to ensure that job openings are filled by qualified persons. Collaboration between Kindergarten through 12th grade (K-12) teachers, higher education staff and business leaders is imperative to prepare Texans for in-demand jobs. Mr. Arnold stated that these three sectors must collaborate to get students through the education system and prepared with the skills they will need to fill in demand jobs.

Dual credit has proven to be very beneficial for students seeking a postsecondary degree, by allowing them to attain college credit at no or low cost while still in high school. Commissioner Parades cautioned; however, that schools must ensure that only those students determined to be college ready are enrolled dual credit courses. He stated that dual credit courses do not help students become college ready, but rather they provide those students who are college ready the opportunity to attain college credit.

Commissioner Parades expounded upon this, stating that Texas must be careful about the way it expands dual credit programs. He believes that currently, the number of students who are college ready and capable of taking a dual credit course are likely already enrolled. Students that take dual credit courses and are not ready for college-level coursework can lower the standards of dual credit courses, while simultaneously not becoming any more ready for college.

Commissioner Parades, Chairman Kel Seliger and Chairman Larry Taylor all agreed that the state needs to conduct a longitudinal study examining how well students who take dual credit coursework are doing in college to ensure that dual credit courses are being taught at the college level. Commissioner Morath commented that TEA will develop a reliable measure to ensure dual credit courses are being taught at the college level.

Chairman Taylor recommended that this report also focus on the specific dual credit subject area(s) a student is enrolled in at a postsecondary institution and how well that student does in subsequent coursework. He suggested that the THECB work with higher education institutions to compile a list of institutions that accept dual credit courses and whether those courses are accepted as credit in a particular subject area. Chairman Seliger emphasized that the state must ensure that the dual credit courses being offered at high schools are college courses that satisfy core curriculum credit.

Dual credit not only gives students the opportunity to take college credit in high school, it also prepares students and parents for college earlier. H.D. Chambers, Superintendent, Alief Independent School District (ISD), stated that it is critical that families have conversations with schools about what it means to be college ready. Alief ISD administers the TSI as an entrance exam for dual credit courses. The district typically administers the TSI to ninth and tenth graders so that they can determine early-on if any remediation is needed to get students college ready and into dual credit courses.

Dr. Head discussed the important role dual credit plays in the transfer pathway for students who go on to a postsecondary institution after high school. He noted the success rate of students who take dual credit in high school is significant. Eighty-two percent of students who take a dual credit course in high school and transfer to Lone Star College earn "A"s, "B"s or "C"s. Furthermore, there is a 13 percent greater success rate for students at Lone Star College who have taken a dual credit course than those who did not.

Mr. Chambers stated that the best way for Texas to move towards a seamless transition for students from high school to a postsecondary degree is through early college high schools. Alief ISD has both a traditional early college high school and a CTE early college high school, and Mr. Chambers noted that they have seen great success at both schools. Students graduating from an early college high school who have met all of the requirements will graduate from high school with a high school diploma and an associate's degree.

Steve Thomas, PhD, President, Midland College, testified on the successful early college high school at the Midland College campus. This early college high school is set up so that students from Midland ISD spend all four years in high school on the Midland College campus - the first two years are spent taking high school classes taught by Midland ISD staff and the last two years taking college courses fully integrated into Midland College classrooms. Dr. Thomas stated that this past year, 81 percent of students in the program earned an associate's degree as well as a high school diploma at graduation, and many of them received scholarships to continue their educations at four-year institutions.

The Pathways in Technology Early College High School (P-TECH) initiative, recently launched by Lt. Governor Dan Patrick, helps to create partnerships between K-12, higher education and industry - specifically the technology sector. P-TECH academies are similar to early college high schools but offer high school students the opportunity to learn and receive guidance from technology industry professionals, with increased opportunities for internships and jobs upon graduation.

Commissioner Morath discussed TEA's priorities regarding the continuing implementation process of HB 5. First, he noted that TEA must define Endorsement Pathway Endpoints. Namely, this entails clarifying the current industry certification list to ensure all licenses, certifications and degrees that lead to high demand, high wage employment have been identified. Additionally, TEA, the THECB and the Texas Workforce Commission must collaborate to identify

postsecondary college and career pathways and streamline completion time and cost for students.

Commissioner Morath stated that several collaborative initiatives by these three agencies are underway, including the formation of regional workforce planning groups to help identify the most appropriate industry certifications regionally and statewide. The goal is to have this list of certifications finalized by the end of the 2016-2017 academic year. Once this list of certifications is completed, Commissioner Morath stated that TEA will develop graduation pathway templates aligned to each certification area. The templates will include postsecondary coursework from community colleges to help students follow the quickest and least expensive pathway. These templates will aid school districts in adjusting course offerings, so that students are prepared for immediate workforce needs and high demand jobs. TEA hopes to have these templates completed by the 2017-2018 academic year.

Mr. Granger recommended that TEA better guide school districts on student transfers among districts. Since some districts offer all five endorsements and some offer only a few, it is a challenge for students who change from one district to another with different endorsement offerings. He proposed there be crosswalks between classes, to make it easier for counselors to better place students and award them credit.

Another TEA priority in the implementation of HB 5 is to develop a set of tools for school districts to utilize when counseling students on career pathways and in formalizing personal graduation plans. While some tools already exist, they are not widely available or used. This robust set of tools will be aligned with industry certificates as well as the pathway templates. Commissioner Morath testified that they will also be customized to contain industry information, such as wage information and career advancement opportunities, as well as higher education information including necessary degrees and certifications and the associated costs.

One of Lancaster ISD's best practices in implementing HB 5 is vertical training and collaboration with school counselors across K-12. Mr. Granger explained that this ensures that elementary school, middle school and high school counselors collaborate regularly and are able to provide students with the best, most up-to-date information.

Students need guidance and information in choosing an endorsement so that they are able to make informed decisions, while understanding the long-term impact this decision may have on their educations and careers. Mr. Granger recommended that more funding be made available for school districts to hire more guidance counselors. He stated that the demands on counselors under HB 5 are tremendous, and it is critical that districts have enough counseling staff to advise students in all areas. Mr. Chambers noted that the passage of HB 18 by the 84th Legislature established Texas OnCourse, and it will soon be a great resource for counselors to obtain technical training on the best methods to advise students under HB 5 and the endorsement selections.

Finally, continued research and development to inform improvement efforts is also a priority of TEA in the ongoing implementation of HB 5. TEA will monitor programs in an ongoing basis, so as to be able to quickly adjust and respond and make necessary changes to rules and to support districts across the state. TEA collects a wealth of data on student achievement, so adjusting practices according to this data is crucial.

Senator West recommended that TEA set date-certain milestones for school districts to meet in the implementation process of HB 5. The state can then hold districts accountable and parents can have more information about the status of the implementation process. He stated that school districts, not schools, should be held accountable for these implementation milestones since they are the ones allocating resources to schools.

Mr. Chambers stated that while evaluating the implementation of HB 5, it is important to remember that high schools are still managing students graduating under the "4x4" graduation plan as well as the Foundation High School Program. He stressed that patience and support from the Legislature is important as school districts continue to work through the implementation process. There will continue to be successes and struggles as schools determine what works best for their students under the flexibility of HB 5.

Commissioner Paredes outlined Texas' new higher education strategic plan, *60x30TX*, and explained how this plan benefits from strong alignment with K-12 on postsecondary readiness. The main goal of *60x30TX* is that 60 percent of persons 25-34 years of age in Texas will attain a postsecondary credential by 2030 and graduate with marketable skills and with debt not exceeding 60 percent of their first-year wages. Commissioner Paredes noted that one of the strategies in

60x30TX is for the THECB and TEA to work together in updating the college and career readiness standards.

Dr. Head stated that there are two primary pathways for community college students; one is the transfer pathway for students who will transfer to a university from community college, the second is the workforce pathway, for those who will get a job upon graduation. To help students navigate these two pathways, Lone Star College has hired nearly 90 advisors.

Dr. Thomas testified on Midland College's articulation agreement with Baylor University and the Baylor Bound program. While Midland College has a number of different transfer articulation agreements with universities, this program demonstrates a strong partnership between a community college and a university. Dr. Thomas stated that one unique thing about the Baylor Bound program is that once a student declares they want to transfer, Baylor University's advising staff begins communicating with them immediately. At Midland College there are a number of Baylor advising staff on site to make the transfer process as seamless as possible for students. They guide students on which courses will transfer as credit towards each major at Baylor University in order to ensure that students do not lose any credit in the transfer process. Dr. Thomas recommended that this method of advising be utilized by all universities across the state.

It is clear from the testimony on the current implementation of HB 5 that there is still work to be done by school districts, TEA, THECB, the workforce and the state to ensure the Foundation High School Program is successful at producing college ready graduates. It will take several more years before there is comprehensive data showing the impact HB 5 has had on Texas' K-12 education system, postsecondary education and the workforce. Collaboration between the workforce and state agencies has produced productive conversation and generated many good ideas, but this conversation must continue and must be seen through to completion. As school districts phase out the "4x4" graduation plan this year and shift their focus solely to the Foundation High School Program next fall, Texas must do all it can to support school districts in this transition.

Recommendations

The Senate Higher Education Committee and Senate Education Committee make the following recommendations regarding *the Implementation of HB 5* to the 85th Legislature:

- 1) The THECB should conduct a longitudinal study examining the rigor of dual credit and how students who take dual credit perform in subsequent courses. Additionally, meaningful data should be gathered on those students taking dual credit courses, but not entering postsecondary education upon completion of high school.
- 2) The Legislature should monitor the forthcoming recommended industry certification proposed by the TEA for the 2017-2018 school year.
- 3) The Legislature should explore ways for the state to incentivize collaboration between school districts and higher education institutions to create P-16 pathways and crosswalks for students, to aid in navigating their endorsements and academic plans to better ensure successful completion.
- 4) In order to ensure students are receiving accurate academic advising, the Legislature should direct the TEA and the THECB to collaborate and implement vertical training for both school district counselors and higher education advisors.
- 5) The Legislature should continue to discuss ways the state can assist districts in transitioning students who transfer from one school district to another where endorsement offerings do not align.

Charge Two -- Performance-Based Funding

Study current funding methods for both general academic institutions and community colleges, examining current performance-based methods of funding for community colleges. Review funding methods used in other states and make recommendations on how to incorporate and/or change student outcome measures in institutional funding to benefit students and promote the education needs of a rapidly growing and changing workforce.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on May 16, 2016. The hearing included invited testimony from the following persons:

- Demetrio Hernandez, Higher Education Team Manager, Legislative Budget Board
- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Jacob Fraire, President and CEO, Texas Association of Community Colleges
- Robert Riza, President, Clarendon College

Findings/Analysis

There are several methods of funding Texas' higher education institutions. General academic institutions (GAI), health related institutions (HRI), Lamar State Colleges and Texas State Technical Colleges (TSTC) are funded through an All Funds methodology, which includes General Revenue, General Revenue-Dedicated, and other Educational General Income (E&G). The community and junior college formula is funded only with General Revenue.

Demetrio Hernandez, Higher Education Team Manager, Legislative Budget Board, testified that GAIs are funded using an Instruction and Operation (I&O) Formula, based on semester credit hours during a three-semester base period. Semester credit hours are weighted by discipline and by upper and lower-division levels, based on a cost study created by the Texas Higher Education Coordinating Board (THECB). The formula is the number of semester credit hours multiplied by the program weight level, which is then multiplied by the funding rate set by the Legislature. Mr. Hernandez stated that the 84th Legislature set the rate at \$55.39 for fiscal year 2016-2017. Additionally, there is a teacher experience supplement that is multiplied by one tenth of the formula if those hours are taught by tenured or tenure-track faculty. Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board, recommended that the 85th Legislature fully fund enrollment growth and the cost of inflation.

Commissioner Paredes also recommended the Legislature make a significant investment in student success points, outcomes-based funding and graduate medical education. He testified that according to the National Conference of State Legislatures, 26 states have developed some method of performance-based funding for four-year higher education institutions. Commissioner Paredes stated that investing in outcomes sends a strong message to institutions that results matter, and aligns funding model goals with Texas' new higher education plan, *60x30TX*. One of the goals of *60x30TX* is to increase the percentage of 25 to 34 year-olds in Texas that hold a certificate or degree. Additionally, this plan places more emphasis on the effective use of state, institutional and student resources to graduate and do so efficiently. Commissioner Paredes testified that outcomes-based funding would create incentives for institutional behavior, obtain agreement on goals, develop a methodology to include all public institutions, reward success in serving underrepresented populations, reward degree completion, limit the categories of outcomes to be rewarded and maximize the use of metrics that are unambiguous and difficult to obfuscate.

Commissioner Paredes recommended the 85th Legislature include \$150 million for outcomes-based funding exclusively based on graduation rates, calling the proposal a Graduation Bonus. The Graduation Bonus would provide \$500 for each "non at risk" student awarded a bachelor's degree, and \$1,000 for each "at risk" student awarded a bachelor's degree. Commissioner Paredes defined "at risk" as a person eligible to receive a Pell Grant or whose SAT or ACT score is below average. Commissioner Paredes stated that the Graduation Bonus prioritizes the overarching goal of *60x30TX*, focusing resources on success. Furthermore, the Graduation Bonus incentivizes universities' internal success in tutoring, mentoring and developmental education and includes additional formula funding benefits for increasing retention and transfer completion rates.

During the 83rd Legislative Session, the Legislature implemented an outcomes-based funding model for public community and junior colleges - the Infrastructure and Administrative (I&A) formula - which includes three different components. The first component is core operations, which provides \$1 million per institution, regardless of size or geographic location. The second component, comprising 90 percent of the remaining formula funding, is distributed based on contact hours, which represent an hour of scheduled academic or technical class time, 50 minutes of which must be instructional. The total number of contact hours is based on each community college's share of total weighted base year contact hours over the last three semesters. Contact hour funding is based on the number of totaled contact hours multiplied by the rate, which was set at \$2.69 by the 84th Legislature. Finally, the third component distributes the remaining ten percent of formula funding based on Student Success Points, which are funded on a three year average of points earned by each institution.

According to Jacob Fraire, President and CEO, Texas Association of Community Colleges, there are five unique metrics that comprise Student Success Points: college readiness, completion of first college-level course, attainment of college credits, credentials awarded and student transfers from community college to a university. Commissioner Paredes asserted that the state should continue to invest in Student Success Points because this model of funding ties resources to results. He recommended a funding level of \$222.3 million during fiscal year 2016-2017 at \$215 per point, an increase from previous appropriations of \$185 per point. Mr. Fraire testified that Student Success Points should be funded at a rate no less than \$185 per point. He also recommended that the 10 percent mechanism cap on Student Success Points funding be decoupled and any proposed increase in Student Success Points be in addition to, not replaced by, current core funding levels.

Lamar State Colleges are also funded through an I&A Formula and are based on contact hours over a three-semester base period. Mr. Hernandez noted that the formula is the number of contact hours multiplied by the I&A rate. The rate in fiscal year 2016-2017 was set at \$3.53.

TSTCs are funded through a different I&A formula that was established by the 83rd Legislature and is based on the returned value to the state generated by the TSTC System. Mr. Hernandez testified that this formula compares average student wages upon completion of nine semester credit hours or more at a TSTC institution to the minimum wage, to determine the additional value an individual generates for the state after attending a TSTC institution. The Legislature appropriates a percentage of this returned value to the TSTC System for I&A funding based on available funds. The returned value seeks to reward performance by funding the system based on total wages and job placement of a select group of former students. The formula is the returned value times the percentage allocated to the TSTC System. During the 84th Session, the Legislature allocated 35.5 percent to the TSTC system in fiscal year 2016-2017.

Furthermore, an infrastructure formula, which includes GAIs, Lamar State Colleges and TSTCs, allocates funding for physical plant support and utilities. The formula is based on predicted square feet for universities' educational and general activities produced by the Space Projection Model developed by the THECB. Mr. Hernandez stated that the formula is derived by the total predicted square feet multiplied by the rate. Institutions with less than 10,000 students receive a small institution supplement. The supplement totals \$1.5 million for the biennium for each institution with less than 5,000 students. Institutions ranging from 5,000 to 10,000 students receive an appropriation that decreases from \$1.5 million with each additional student.

States across the country have a challenge in finding levers to produce statewide postsecondary goals. While Texas has begun using mechanisms such as Student Success Points, it is important to continue to explore new ways to incentivize institutional and student outcomes.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding *Performance-Based Funding* to the 85th Legislature:

- 1) The Legislature should continue to fund enrollment growth, adjusted for inflation, at GAIs, community colleges, and Lamar State Colleges for the 2018-2019 biennium, and should also continue to fund TSTC's returned investment formula for the 2018-2019 biennium.
- 2) The Legislature should continue to invest in Student Success Points for community colleges and require the THECB to continue to monitor the results of implementing this outcomes-based funding model.
- 3) If funds are available, the Legislature should consider the THECB's Graduation Bonus proposal.
- 4) The Legislature should continue to explore additional ways to incentivize institutional behavior through funding mechanisms to help meet the statewide goals of *60x30TX*.

Charge Three -- Tuition and Student Debt

Examine and make recommendations regarding tuition and student debt at public institutions of higher education in Texas. Specifically, study how Texas compares to peer states, variance between institutions, how accountability measures can be used to impact tuition, and increases in tuition since 2003.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on April 26, 2016. The hearing included invited testimony from the following persons:

- Demetrio Hernandez, Higher Education Team Manager, Legislative Budget Board
- Emily Deardorff, Analyst, Legislative Budget Board
- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Dustin Weeden, Senior Policy Specialist, National Conference of State Legislatures
- Brian McCall, PhD, Chancellor, Texas State University System
- Robert Duncan, JD, Chancellor, Texas Tech University System
- John Sharp, Chancellor, Texas A&M University System
- Renu Khator, PhD, Chancellor, University of Houston System
- William McRaven, Chancellor, University of Texas System
- Lee Jackson, Chancellor, University of North Texas System
- Carine Feyten, PhD, Chancellor and President, Texas Woman's University
- John Rudley, PhD, President, Texas Southern University
- Danny Gallant, PhD, Vice President of Finance and Administration, Stephen F. Austin State University
- Suzanne Shipley, PhD, President, Midwestern State University
- Jeff Webster, Assistant Vice President, Texas Guaranteed Student Loan Corporation
- Lisa Blazer, PhD, Senior Associate Vice President of Student Affairs, University of Texas at San Antonio

Findings/Analysis

Across the country, continually rising tuition costs at higher education institutions have been a cause for great concern. At a time when the job market demands that more persons have a postsecondary degree, certificate or credential, it is a struggle for students and families to afford it. The Senate Higher Education Committee (the Committee) examined this issue, specifically tuition increases at Texas' public universities since the deregulation of tuition by the Legislature in 2003, and the impact these increases have had on student loans and default rates. Furthermore, the Committee addressed the most recent tuition increases by universities following the receipt of additional state appropriations during the 84th Legislative Session.

Emily Deardorff, Analyst, Legislative Budget Board, provided the Committee with an overview of state support of general academic institutions (GAIs) as well as tuition trends since the deregulation of tuition. She stated that for the 2016-2017 biennium, the state provided an additional \$294.1 million in funding for GAIs, which is an increase of 9.3 percent from the previous biennium. Furthermore, special item funding for GAIs increased by \$80.1 million for the 2016-2017 biennium.

In addition to these general revenue increases, House Bill (HB) 100, passed by the 84th Legislature, authorized the issuance of \$3.1 billion in tuition revenue bonds to fund capital projects at institutions of higher education. Furthermore, Senate Bill (SB) 1191 increased Higher Education Fund appropriations by \$131.1 million beginning in fiscal year 2017, of which \$110.7 million will be allocated to GAIs.

State appropriations for GAIs are comprised of both General Revenue and General Revenue - Dedicated funds. GAIs also collect non-appropriated funds including tuition. Ms. Deardorff testified that there are three types of tuition collected by institutions - statutory tuition, designated tuition and board authorized tuition. Statutory tuition is an amount set in statute that institutions must charge to undergraduate students. This amount is currently set at \$50 per semester credit hour. Designated tuition is the amount of tuition, set by each institution's governing board, which is charged to a student in addition to the statutory tuition. Board authorized tuition is the amount of tuition, set by each institution's governing board, which is charged to graduate students. In addition to tuition, institutions also charge mandatory fees and course fees.

In 2003, the Legislature passed HB 3015 to allow an institution's governing board to set different designated tuition rates. Up until this time, the Legislature set the tuition rates for public higher education institutions. Since tuition deregulation, a number of social, economic and demographic factors have changed, affecting the cost of tuition. Ms. Deardorff testified that since the deregulation of tuition, the average total academic charges for an undergraduate resident student taking 15 semester credit hours rose by 67 percent between 2003-2014, adjusted for inflation. Additionally, net tuition and fees have increased by 119 percent since 2004, adjusted for inflation.

As these tuition and fees have increased, total general revenue appropriated to institutions by the state has decreased six percent since 2004, when adjusted for inflation. Since tuition deregulation, net tuition and fees per full-time student equivalent collected by an institution have increased 77 percent, while formula funding per full-time student equivalent by the state has decreased 24 percent. Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board (THECB), testified that the rate of state support decline and tuition increase are very different. He noted that nationally, Texas is ranked 20th in affordability among public universities, with Texas' average net tuition and fees being \$7,476. Commissioner Paredes emphasized that higher education must remain affordable in Texas, specifically as the economically disadvantaged population continues to grow.

Commissioner Paredes stated that since 2003, net tuition and fees makes up an increasingly larger portion of an institution's revenue with regard to state appropriations. Institutional spending has also increased. Some reasons for increased expenses at universities include: growing demand for technology, rising costs related to compliance with federal regulations, competition among institutions across the country, a desire to offer a full array of programs across campuses, an increase in the number of students needing remedial education, and an increase in cost of exemptions and waivers. Furthermore, Commissioner Paredes stated that the total cost of exemptions and waivers to institutions in 2015 was \$752.2 million.

Commissioner Paredes also testified on the different fees collected by institutions. Mandatory fees are authorized in statute or by an institution's governing board and charged to a student upon enrollment for things such as laboratory expenses and course fees. Optional fees are authorized by an institution's governing board and may be charged to all or some of the student body for things such as parking and

performing arts fees. Commissioner Paredes stated that in 2015, these fees totaled \$1.8 billion and are a significant cost to students.

Texas public institutions may offer fixed and flat rate tuition plans. A fixed tuition price plan gives students a fixed dollar rate of tuition guaranteed for four years. A flat rate tuition plan allows students a fixed dollar rate of tuition beyond a minimum number of semester credit hours, usually 12 semester credit hours, so there is no additional cost for students to take more classes. Currently 13 universities report that they offer a flat rate tuition plan.

As of 2015, 62 percent of bachelors' degree recipients in Texas have student loan debt, and this debt averages \$30,136. For associate degree recipients, 36 percent have debt that averages \$15,426 and for certificate recipients, 29 percent have debt averaging \$12,546. Dustin Weeden, Senior Policy Specialist, National Conference of State Legislatures, testified that the average student debt amount per borrower has grown to 35 percent above inflation over the last decade; however, the largest student loan amounts tend to be held by those at the graduate degree level. He stated that higher education is still proven to be a good investment and is most risky for students who do not complete their degree.

Mr. Weeden also testified on tuition trends nationwide. He stated that nationally, state accountability of public higher education institutions has shifted. State goals for higher education have also shifted. For example, in years prior, the state's primary focus was on an institution's budget, but now many states are focused on outcomes and increasing capacity to achieve higher education priorities.

Mr. Weeden testified that tuition, state appropriations and student financial aid are the three components of an institution's financing strategy. Changes to any one of these components will impact the others. Tuition policy is influenced by a number of factors such as the economy, state appropriations and student affordability. Mr. Weeden stated that data shows that in recent years students are contributing more towards an institution's revenue than state appropriations. As a result, the National Conference of State Legislatures has seen a growing interest among state legislatures across the country in tuition setting authority.

Mr. Weeden stated that Missouri and Washington state have two of the strongest tuition cap policies. In Missouri, the Legislature has linked tuition increases to inflation and provides waivers for permission to increase tuition more than inflation if state appropriations fall too low. The state of Washington sets tuition based on a rolling average of family income. Mr. Weeden stated that research has

shown that when states place weak caps on tuition increases, institutions are more likely to increase tuition to the maximum cap allowance. He testified that tuition caps require substantial state appropriations in order to be successful.

SB 778 by Chairman Kel Seliger filed in the 84th Legislative Session would have placed performance-based tuition limitations on public higher education institutions. Mr. Weeden stated that this is an innovative way to cap tuition and incentivize outcomes. Performance-based funding has been shown to be effective in changing behavior and incentivizes institutions; however, Mr. Weeden cautioned that it is not a "silver bullet." Higher education programs that are stable see the most successes under performance-based tuition limitations. Mr. Weeden advised that one unintended consequence of performance-based tuition limitations is higher admissions standards. He also stated the importance of university faculty input in setting performance metrics, as faculty are most affected by and often implement practices to achieve these goals.

Jeff Webster, Assistant Vice President, Texas Guaranteed Student Loan Corporation (Texas Guaranteed), testified that Texas Guaranteed was established in 1979 and provides students with information on paying for college as well as facilitates successful loan repayment. Mr. Webster stated that as of the 2013-2014 school year, 60 percent of financial aid to Texas students was comprised of loans, whereas the national average was 50 percent. Mr. Webster testified that given the growth of first time college students in Texas, this trend is especially important. Using this 2013-2014 data, Texas Guaranteed determined that the median borrower indebtedness for all borrowers at a four-year institution was \$14,876, while the median for borrowers who completed a degree was \$20,946. At two-year institutions, the median borrower indebtedness for all borrowers was \$6,531 and the median for borrowers who completed a degree was \$10,506.

Degree completion is critical to the ability of students to pay off loans. Mr. Webster testified that student borrowers are three times more likely to default on loans if they do not complete a degree. Students who delay enrollment or enroll part-time are less likely to complete a degree and thus are more prone to defaulting on their loans. Mr. Webster stated that the best way to reduce student loan defaults is to improve graduation rates. Commissioner Paredes also testified that reducing the time for a student to earn a degree is paramount to reducing student loan debt, as currently the average number of semester credit hours taken by bachelors' degree students is 140, which is 20 hours more than most degrees require.

Mr. Webster recommended the Legislature support college completion efforts; provide financial support to schools to offer better loan counseling and financial education training; require college courses to include financial education; encourage high schools to promote completion of the Free Application for Federal Student Aid; continue to support SB 680, regarding a default prevention and financial aid literacy pilot program; and continue to support Texas Guaranteed's work with the U.S. Department of Education.

Lisa Blazer, PhD, Senior Associate Vice President of Student Affairs, University of Texas at San Antonio, testified that financial aid administrators work to make the financial aid process less confusing for students and ensure students get the best possible aid. She stated that the cost of attending a university includes more than just tuition and fees, but also room and board, transportation, books and other living expenses. Taking these additional costs into consideration helps financial aid administrators determine how much aid a student will need. Dr. Blazer noted that while financial aid administrators must tell students how much money they are eligible to borrow, they encourage them to only borrow what they need.

Dr. Blazer testified that the TEXAS Grant program helps provide aid to several thousand students to cover tuition and fees, in combination with other grant programs. The primary objective for awarding grants and scholarships is to cover as much of a student's tuition and fees as possible. Dr. Blazer noted that even students who receive grants and scholarships to cover 100 percent of their tuition and fees still may need to borrow money to cover living expenses. She stated that her office strongly encourages students to apply for scholarships by teaching writing seminars and outreach classes to make students aware of scholarship opportunities. Commissioner Paredes noted that increasing funding and financial aid efficiency at institutions and increasing financial literacy among students is a priority of the THECB.

The Committee heard from each public university system on specific tuition and fees increases at each institution and the impact those increases have had on student debt.

John Sharp, Chancellor, Texas A&M University System, testified that recently, Texas A&M University System has implemented several system-wide initiatives to cut costs including: outsourcing, privatizing construction of new student housing, reducing administrative costs by cutting 450 positions and consolidating information technology services. Chancellor Sharp testified that these savings are

being reinvested back into Texas A&M University System's core mission of teaching, research and service.

Chancellor Sharp testified that although Texas A&M University System has worked to make higher education more affordable, ensuring a quality education has become more expensive. He stated that hiring and retaining qualified faculty cannot be covered by efficiency savings alone. Chancellor Sharp testified that even with the addition of \$293 million into the general revenue academic formulas during the 84th Legislative Session, Texas A&M University System saw only an increased funding rate for each weighted semester credit hour of 53 cents. The reason for this small increase is because of the large enrollment growth across the state in higher education. The Texas A&M University System is educating 22,000 more students than it was five years ago.

Chancellor Sharp stated that the Texas A&M University System Board of Regents have been rigorous in setting tuition and maintaining transparency. In doing so, they have consolidated students' tuition bills by eliminating all but four fees. Furthermore, currently all Texas A&M University students are offered a fixed tuition price plan. Chancellor Sharp testified that the Texas A&M University System Board of Regents recently increased tuition by 2.2 percent for the 2016-2017 entering class, to adjust for inflation, but limited tuition and fees increases to the lesser of 2.2 percent or the rate of inflation for higher education for the 2017-2018 entering class.

Robert Duncan, JD, Chancellor, Texas Tech University System, testified that the Legislature has made a significant investment in funding research and as a result, eight universities have been designated Tier One recognition status by the Carnegie Classification of Institutions of Higher Education. Chancellor Duncan stated that this has allowed the Texas Tech University System to recruit highly qualified faculty.

Higher education funding in Texas is very complex. Chancellor Duncan stated that because the populations and needs of each university are so diverse, there is not a one-size-fits-all approach to funding. He testified that SB 778 was a creative approach to examining higher education funding and produced a positive dialog among stakeholders.

Chancellor Duncan noted that the Texas Tech University Board of Regents recently restructured tuition so that rates are set every two years. They also implemented a differential tuition policy, charging more for higher cost majors

such as business and engineering. Additionally, the Texas Tech University Board of Regents consolidated many fees to allow for more transparency. Chancellor Duncan testified that at Texas Tech University, without supplementation, tuition was raised .48 percent for the 2016-2017 school year and .69 percent for the 2017-2018 school year. At Angelo State University, increases were slightly higher due to inflation.

Brian McCall, PhD, Chancellor, Texas State University System, testified that currently, Texas State University System has 83,000 students enrolled in its eight institutions. Chancellor McCall stated that some of the system-wide, low cost measures that have been implemented include: refinancing debt, renegotiating energy contracts, launching a group-purchasing initiative and maintaining a small but efficient administrative staff.

Chancellor McCall noted that most of Texas State University's expenses are faculty salaries. He stated that system-wide, professors teach 17 percent more than the state average and are paid 20 percent less. Furthermore, student to teacher ratios are the highest in the state at 29:1. Chancellor McCall testified that while Texas State University System is not proud of these statistics, they are working to keep costs affordable for students.

Chancellor McCall stated that 63 percent of students receive financial aid or grants, and Texas State University System has worked to increase grant amounts by 78 percent through private donations. Additionally, Chancellor McCall noted that system-wide, 38 percent of students graduate with no debt, and others graduate with an average of \$16,000 in debt - well below the national average.

Renu Khator, PhD, Chancellor, University of Houston System, testified that since 2008, private support of the University of Houston System has more than doubled and the value of their endowment has grown 22 percent. Additionally, Chancellor Khator stated that \$60 million has been reallocated back into institutional priorities. As a result of the increases in appropriations by the 84th Legislature, the University of Houston System has expanded instruction and operations at its institutions. Increases in the Higher Education Fund and Tuition Revenue Bonds have allowed the University of Houston System to build infrastructure to support a 23 percent increase in enrollment since 2008.

Chancellor Khator testified that because of the investment in higher education by the Legislature, tuition increases have remained moderate with a two percent increase at the University of Houston to keep up with inflation, and a three to six

percent increase at the other institutions. Chancellor Khator noted that all tuition increases within the University of Houston System support student success, such as financial aid, academic support systems and faculty salaries. Furthermore, the fixed-rate tuition option, recently adopted by the University of Houston System Board of Regents, has shown to be successful at the University of Houston.

Chancellor Khator also testified on the University of Houston's recent national recognition for minimizing student debt. According to *U.S. News and World Report*, the University of Houston ranks 11th in the nation for graduating students with the least amount of debt.

William McRaven, Chancellor, University of Texas System, testified that quality higher education programs attract the brightest students and faculty, as well as research and industry that drive the Texas economy. Additionally, 77 percent of University of Texas bachelor's degree graduates stay in Texas to work upon graduation.

Chancellor McRaven stated that after many years of forgoing tuition increases, this year he requested the University of Texas System Board of Regents to consider a modest tuition increase to allow institutions the ability to continue providing the best quality faculty, education and services to students. He stated that the University of Texas System schools fall at or below national tuition levels among peer institutions and also fall near the bottom in terms of recent tuition increases among Texas' institutions. Chancellor McRaven testified that tuition and fees are the greatest driver for an institution's core revenue. The University of Texas System Board of Regents recently made two to four percent tuition increases among the eight University of Texas System institutions. The average student debt among University of Texas students is \$21,000.

Lee Jackson, Chancellor, University of North Texas System, testified that 40,000 students attend one of the University of North Texas System's three institutions. Chancellor Jackson stated that tuition and fees at the University of North Texas System fall well below the national average. He stated that before tuition deregulation, from 1991 to 2003, the tuition increase rate change was 12.1 percent, while from 2004 to 2015, after tuition deregulation, the tuition increase rate change was 9.4 percent.

Chancellor Jackson stated that over the last five years, the University of North Texas has invested significantly in growing enrollment, graduation rates and

awarding degrees - issuing 8,000 degrees annually. He testified that graduation rates have nearly doubled during this time. Additionally, Chancellor Jackson stated that The University of North Texas System has made a significant investment in increasing financial aid to students, specifically, by 190 percent since 2003, totaling \$36 million in 2015. Chancellor Jackson testified that the University of North Texas System's average student loan debt has increased 2.5 percent over the past five years and the default rate is currently 7.6 percent.

One unique way the University of North Texas has worked to incentivize timely graduation is to offer graduation rebates. Chancellor Jackson stated that Texas statute provides a \$1,000 rebate for students who graduate in four years, so the University of North Texas supplements this with an additional \$3,000 and markets this rebate plan on campus. Currently, 50 percent of new students at the University of North Texas opt into this plan. Chancellor Jackson recommended that the Legislature consider matching these funds across the state to encourage students to graduate on time.

Suzanne Shipley, PhD, President, Midwestern State University, testified that at a time when more students are entering higher education as first generation college students and need more financial assistance, the conversation about increasing tuition costs will only continue. Furthermore, Dr. Shipley cautioned that this incoming class of students could find tuition costs to already be unaffordable, so higher education institutions and the state must continue to collaborate to increase access.

Dr. Shipley stated that currently, Midwestern State University has a student loan default rate of 7.8 percent and an average student debt of \$18,000. While tuition at Midwestern State University has increased at the same magnitude as other universities, Dr. Shipley testified that they have also seen an increase in donor support. This has allowed Midwestern State University to increase scholarships by 25 percent. A student's time to degree completion has been Midwestern State University's biggest hurdle, according to Dr. Shipley. As a result, they have mandated a fixed tuition price plan for all students, encouraging them to graduate on time.

Carine Feyten, PhD, Chancellor and President, Texas Woman's University, testified that Texas Woman's University historically serves the Hispanic population, and that nearly half of all students receive a Pell Grant. Dr. Feyten stated that student support services are a priority of Texas Woman's University, including mentoring, internship placements, faculty-student engagement and a

diverse campus life. Texas Woman's University has invested significantly in job location and development services, as well as a withdrawal specialist, who met with 43 students last semester who were considering dropping out of school.

Dr. Feyten stated that the total cost of a degree from Texas Woman's University is \$19,964, one of the lowest in the state. According to the *Texas Tribune*, Texas Woman's University has had the second lowest rate of tuition increase since the Legislature deregulated tuition in 2003. This year, the Board of Regents at Texas Woman's University approved a 4.7 percent tuition increase. Dr. Feyten stated that this increase in revenue will go directly into student services to help students succeed. The average student debt of graduates from Texas Woman's University is \$25,000 with a loan default rate of 6.5 percent.

Texas Woman's University has taken measures to cut costs to students and since 2008, it has reduced administrative costs by 25 percent. Additionally, the university has worked to streamline pathways with community colleges to allow for students to easily transfer among institutions. Texas Woman's University has also increased efficiency by investing in online education. Over 50 percent of students at the university take at least one online course.

John Rudley, PhD, President, Texas Southern University, testified on the difficult financial situation Texas Southern University has faced. He stated that as a result of decreasing enrollment, Texas Southern University was the only institution in the state to not see an increase in funding following the 84th Legislative Session, and instead saw a decrease in funding of \$3.4 million, or 4.65 percent. Furthermore, Dr. Rudley stated that through formula funding, the Legislature has reduced appropriations to Texas Southern University by \$14.8 million since 2010. As a result, Texas Southern University has cut faculty positions, eliminated staff salary increases and has increased tuition.

Dr. Rudley stated that Texas Southern University justifies tuition increases by providing a quality education to students, 85 percent of whom are African American, many receiving Pell Grants. In fiscal years 2010-2011 and 2012-2013, Texas Southern University received Hold Harmless funding from the state that allowed it to operate at a level that provided students with quality education and services. Dr. Rudley testified that due to decreasing enrollment, state academic formula funding has not provided an adequate level of support and Texas Southern University has been forced to rely on tuition and fees to make up these costs. Dr.

Rudley recommended the Legislature reevaluate the academic formulas for those institutions with less than 12,000 students.

Danny Gallant, PhD, Vice President of Finance and Administration, Stephen F. Austin State University, testified on the cost drivers at Stephen F. Austin State University, including the increased cost of healthcare and attracting and retaining quality faculty. Dr. Gallant also stated that supporting the Hazlewood Exemption Act has negatively impacted the university's revenue. Recently, tuition and fees were increased by 2.2 percent at Stephen F. Austin State University, and Dr. Gallant stated that much of this revenue will go towards retaining quality faculty.

Dr. Gallant stated that in fiscal year 2015-2016, 75 percent of students at Stephen F. Austin State University received financial aid and 58.4 percent of those students received non-loan financial aid. The average student debt of graduates from Stephen F. Austin State University is \$20,000 with a default rate of 11.6 percent.

It is essential that the Legislature ensure that the cost of a college education remains affordable for all Texans. To accomplish this, the Legislature should consider providing immediate relief to families and students by implementing a temporary tuition and fee freeze to decrease the gap between tuition and the median family income. Additionally, Texas' university systems must also operate efficiently and invest in student success initiatives so that students graduate on time, with little debt. Measures must be taken to ensure that the cost of a postsecondary degree does not continue to rise at the current rate.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding *Tuition and Student Debt* to the 85th Legislature:

- 1) The Legislature should consider meaningful options to help relieve increasing tuition burdens on Texas students and families.
- 2) The Legislature should continue to explore performance-based tuition as a tool to enhance accountability on future tuition increases and student outcomes.
- 3) The Legislature should continue to support the THECB's efforts to increase four and six year graduation rates, which will in turn decrease student loan default rates, by considering legislation to increase financial literacy education among college students.
- 4) The Legislature should consider expanding the merit based graduation rebate program currently at the University of North Texas and model a similar statewide program.

Charge Four -- Set-asides, Exemptions and Waivers

Conduct a review of all tuition and fee waivers and exemptions, as well as tuition set-asides currently in law, and examine how students who do not received the benefits of either bear these resulting costs. Study how other states treat similar populations, whether federal benefits are available, and make recommendations to ensure the efficacy of waivers and exemptions, and tuition set-asides. Examine current financial aid programs, studying their efficacy, and make recommendations on how to provide programs to meet the needs of all students in light of the recent repeal of the state's Top 10% Scholarship program and B-On-Time program.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on August 23, 2016. The hearing included invited testimony from the following persons:

- Raymund Paredes, PhD, Commissioner, The Texas Higher Education Coordinating Board
- Sarah Pingel, EdD, Policy Analyst, Education Commission of the States
- John Colyandro, Executive Director, Texas Conservative Coalition Research Institute
- John Newton, Senior Analyst, Legislative Budget Board
- Brantley Starr, JD, Deputy First Assistant Attorney General, Attorney General's Office
- Rufus Coburn, Director of Veterans Education, Texas Veterans Commission
- Steven Tallant, PhD, President, Texas A&M Kingsville

Findings/Analysis

As Texas' student demographics continue to change and more students rely on state funded financial aid, it is important to ensure the efficacy of the state's tuition exemption and waiver programs, as well as tuition set-asides. The Legislature must examine whether these programs, and other financial aid programs, meet the needs of today's higher education students, or whether there are better ways to address the financial aid needs of Texas' college going population.

Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board (THECB), testified on the various tuition and fee exemption and waiver programs in statute. He stated that there are both mandatory and optional tuition exemption programs. The state has 31 total exemptions in statute, with 15 of those legislatively mandated, while the remaining are optional. Additionally, Texas has 20 waiver programs. Traditionally, exemptions are for Texas residents and waivers apply to special groups of non-residents. These programs carry a considerable amount of cost to institutions. Tuition and fee revenue relinquished by public institutions due to tuition exemptions and fee waivers totaled more than \$752 million in fiscal year 2015, while the number of students who received some type of assistance in fiscal year 2015 was 283,141.

Commissioner Paredes testified on two of the larger optional tuition exemptions, the dual credit and Competitive Scholarship exemptions. The optional exemption for dual credit, where many community colleges choose to waive tuition and fees, totaled \$81 million in fiscal year 2015. This exemption has increased almost 90 percent since 2009, and approximately 70 percent of community colleges take advantage of this exemption. Commissioner Paredes discussed how dual credit program costs can vary and are complex due to differences in where and how these courses are taught. For instance, sometimes high school students have to pay for books, and other times they are provided by the community college or the school district. The optional Competitive Scholarship exemption totaled \$176 million in fiscal year 2015. Historically, this waiver is used to attract top graduate students to Texas' flagship and emerging research institutions.

Tuition set-asides have existed since 1975 in the form of the Texas Public Educational Grant (TPEG). In fiscal year 2015, \$345 million was awarded to students in the form of financial aid from tuition revenue, with 208,944 students receiving this assistance. The TPEG set-aside not only affects students attending, but also those enrolled at a community colleges. Community colleges are required to set-aside six percent of each resident student's tuition. For non-residents, \$1.50

of each hourly tuition charge is set-aside to fund tuition needs for other students. On the other hand, the TPEG set-aside mandates general academic institutions set-aside 15 percent of statutory tuition charged to a resident student and three percent charged to a non-resident. Statute requires 90 percent of TPEG set-aside be used for the subset of students whose educational cost needs are not met.

The second tuition set-aside that exists as a statutory mandate began with the passage of House Bill (HB) 3015 in 2003, which was also after the Legislature de-regulated tuition. Public institutions are required to set-aside 15 percent of the amount of resident undergraduate and graduate designated tuition charged in excess of \$46 per semester credit hour. As with the TPEG set-aside, this one must also be used for financial aid for students who have demonstrated financial need. Commissioner Paredes testified that 41 percent of this funding went to college students with zero estimated family contribution.

Commissioner Paredes stated that the elimination of tuition set-asides may cause instability in the TEXAS Grant program, because currently, institutions are required by statute to fill-in the remainder of financial need for students who receive a TEXAS Grant. If this provision remains in place, without tuition set-asides a greater burden could be placed on TEXAS Grants. Currently, the state provides enough TEXAS Grant funding to assist 85 percent of eligible TEXAS Grant applicants. This percentage could go down if both tuition set-asides are eliminated and funding for TEXAS Grants does not increase.

Commissioner Paredes recommended increasing the efficiency of the state's current financial aid programs by limiting state grant eligibility to promote timely completion. Additionally, the THECB recommended that state grant award amounts be limited to the cost of tuition, fees and a book stipend, in order to reach more students with financial need. Commissioner Paredes also recommended the state strengthen financial literacy among students to promote a better understanding of how to pay for higher education by creating a statewide advisory group. The THECB would like to explore how to begin a similar program to the recently repealed B-On-Time Loan Program, which helped provide a financial incentive to all students to graduate in a timely manner. As a way to provide low cost loans to students who have unmet financial aid needs, the THECB administers the College Access Loan program. The College Access Loan program has one of the lowest state interest rates, at 5.3 percent.

Sarah Pingel, EdD, Policy Analyst, Education Commission of the States, discussed Texas' use of tuition to provide financial aid when compared nationally. Dr. Pingel

found that tuition revenue represents a small portion of the funding sources used for state aid programs nationally. Additionally, she stated that only five states have set-aside programs mandated in statute. In addition to Texas, states that require a portion of tuition to be set-aside for a financial aid program are Arizona, Connecticut, New Mexico and Washington. Other states that mandate tuition be set-aside to fund financial aid programs do not have robust state grant programs, such as TEXAS Grants. Many more states have set-asides, but allow institutions to administer them at the system or campus level.

Texas' set-aside programs are not unlike the other handful of states that use tuition revenue to fund financial aid when it comes to how the aid is distributed and the student criteria for receiving aid. The states Dr. Pingel studied most, including Texas, have a centralized system for allocating set-aside funding, where colleges retain set-aside funds at their campuses and distribute them in a manner they choose. Arizona, however, uses a decentralized system, where set-aside funds are collected at the state level and distributed according to a state allocation model. Texas and Arizona both require students to be notified that a percentage of the tuition and fees they pay are used to fund other students' unmet financial aid needs.

John Colyandro, Executive Director, Texas Conservative Coalition Research Institute (TCCRI), testified that it is important to remember how tuition set-asides impact those students of whom they are charged. In 2012, 454,140 students paid an average of \$649 from their tuition expenses to set-asides. Mr. Colyandro stated that the average set-aside in 2004 was \$2.55 per semester credit hour, but that ten years later, the average set-aside was \$19.18 per semester credit hour, which is an increase of 652 percent. TCCRI believes that this is a cost shifting practice and Mr. Colyandro has concerns about one group of students being charged extra in order to fund education for another group of students. Mr. Colyandro recommended the state explore the possibility of eliminating tuition set-asides.

The Senate Higher Education Committee discussed the role the TEXAS Grant program plays in providing financial aid to students, and that this statewide program should be funded at a level to assist those students with financial need. Mr. Colyandro stated that TCCRI believes financial assistance programs should be funded through general revenue rather than through increased cost of tuition to a certain group of students. The amount of tuition currently spent on set-asides should be funded by the Legislature and not by other college students. Mr. Colyandro testified that while set-asides do not generally increase tuition, if a certain amount of money is designated on a tuition bill to be set-aside for someone

else and it is possible to deduct that amount from the total cost, it could lower the cost to all students.

Chairman Kel Seliger and Commissioner Paredes discussed the different levels of costs for different socioeconomic categories of students. If a student's estimated family contribution is \$60,000 per year or less, his or her financial aid needs are generally met through federal, state and institutional aid. Students with an estimated family contribution between the \$60,000 to \$100,000 per year are those with no, or very little, grant aid available to assist with the cost of tuition and fees. Senator Charles Perry questioned whether there is a new expectation of the state to provide free higher education, or whether the state should provide affordable higher education.

John Newton, Senior Analyst, Legislative Budget Board, laid out the current program requirements and parameters for the Hazlewood Act exemption. Since 1923, the Hazlewood Act provides a tuition exemption for veterans, which may be used for up to 150 semester credit hours at any community college, technical college, general academic institution or health related institution. This exemption may be used for individuals who have no federal veterans education benefits left, or when remaining benefits do not fully cover tuition costs. In some instances, however, an institution is unable to know whether a student receiving the Hazlewood exemption is also receiving federal benefits. Veterans are eligible for the Hazlewood exemption if they served 181 days of active duty service, were discharged under honorable conditions and, at the time of entry into active duty either designated Texas as their home of record, entered the service in Texas or was a Texas resident.

Since 2009, total statewide tuition and fee waiver amounts have increased 108 percent statewide, with the largest increase found in the Hazlewood exemption. Texas public higher education institutions lose over \$180 million in exempted tuition and fees from the Hazlewood exemption alone, which accounts for 52 percent of all exemptions statewide. Commissioner Paredes testified that the cost of the Hazlewood exemption is expected to continue to rise.

The Hazlewood Legacy Act, passed by the 81st Legislature, authorizes an eligible veteran to transfer unused hours of exemption eligibility to his or her child, which results in the child being exempt from paying tuition and certain fees at any Texas public institution of higher education. In 2015, \$177.8 million was waived in tuition and fees for those eligible for the Hazlewood Act exemption, including the

Hazlewood Legacy exemption. \$123.8 million of this total was used solely for the tuition exemption received by veterans' children through the Hazlewood Legacy exemption. Commissioner Paredes pointed out that the Texas Veterans Commission (TVC) numbers vary slightly on the cost of the Hazlewood exemption from the THECB. The reason for this may be attributed to the fact that the TVC obtains data from veterans' offices on campus, while the THECB receives data from campus business offices. The two agencies have a cost variance of approximately \$10 million, with the TVC numbers on the lower end.

In 2013, the Legislature established the Permanent Fund supporting Military and Veterans Exemptions (MVE) to assist public institutions in offsetting the waived tuition and fee revenue from the Hazlewood Legacy program. Additionally, Texas Guaranteed Student Loan Corporation made a onetime donation of \$248 million. Last session, the Legislature appropriated \$31.6 million in General Revenue to the TVC for the administration and reimbursement of the Hazlewood exemption, \$15 million of which is required to be used only towards Hazlewood Legacy costs. These funds are distributed in proportion to each institution's share of the Hazlewood exemption cost, compared to all institutions statewide.

In 2014, a lawsuit was filed by a veteran in the U.S. District Court against the University of Houston, THECB, TVC, and others, challenging the residency requirement in place for the Hazlewood Act exemption. The U.S. District Court ruled the fixed point residency requirement unconstitutional, because it found the residency requirement too arbitrary to be enforceable under the constitution. The Texas' Office of the Attorney General (OAG) filed an appeal in the US Court of Appeals for the Fifth Circuit. This court ruled in favor of OAG's appeal and reversed the original US District Court decision.

Rufus Coburn, Director of Veterans Education, Texas Veterans Commission, testified that the mission of the TVC is to advocate for and provide services to veterans and their families. The TVC is the agency responsible for overseeing the administration of the Hazlewood exemption and facilitating the Veterans Education Excellence Award Program. Mr. Coburn discussed the two main federal veteran benefits that are currently in effect - the Montgomery GI Bill and the Post 9-11 GI Bill. The Montgomery GI Bill requires the veteran to contribute to the program, and then provides an eligible veteran a monthly education benefit once he or she has completed a minimum service obligation. In this program, the institution does not receive any funding from the United States Department of Veterans Affairs. Recipients of the Montgomery GI Bill receive the benefit directly after

they are certified to be attending an institution of higher education. Generally, a veteran receiving the Montgomery GI Bill is required to use benefit within ten years.

In July 2008, the post 9-11 GI bill went into effect. In contrast to the Montgomery GI Bill, this federal benefit for veterans does not require a contribution, but does require the veteran to serve 36 months in order to receive the full entitlement. This federal benefit is usually payable up to 15 years after the veteran's release from active duty. When asked how Texas compares to other states in offering waived tuition for veterans' dependent children, Mr. Coburn responded that Texas' Hazlewood Legacy exemption is one of a kind and much more comprehensive than any other state. Additionally, the Hazlewood exemption benefit never expires.

Steven Tallant, PhD, President, Texas A&M Kingsville, testified that in 2008, the total cost of the Hazlewood exemption was \$157,000 for Texas A&M Kingsville. In fiscal year 2015, Texas A&M Kingsville relinquished almost \$2 million in tuition revenue, or 5.18 percent of the campus' total state appropriations. Of the \$2 million in lost tuition revenue, \$191,000 came from the original Hazlewood exemption and \$1.7 million from the Hazlewood Legacy exemption. Since 2009, the cost of the Hazlewood exemption has risen 650 percent at Texas A&M Kingsville.

As a veteran, Dr. Tallant supports programs which help veterans earn a postsecondary degree, but as President of Texas A&M Kingsville he finds it difficult that he is taxing non-military families for the benefit of veteran families, especially when some do not have financial need. If Texas A&M Kingsville were to spread out the cost of the Hazlewood exemption to students not receiving a Hazlewood exemption in the form of a mandatory fee, it would be approximately \$214 per student per year. He stated that the student body would not be able to afford this fee increase, therefore, it is impossible to replace the lost tuition revenue. Dr. Tallant testified that the escalating cost of covering the Hazlewood Legacy exemption is problematic and unpredictable.

The Legislature must find ways to support all students in attaining a post-secondary degree in order to achieve Texas' higher education goals. Texas has numerous tuition and fee exemption and waiver programs to help address some of the student population needs; however, it is important to consider the impact of these programs on students not receiving an exemption or waiver. Texas' current tuition set-aside programs provide financial aid administered at an institutional

level with institutional goals. The Hazlewood exemption provides access and opportunity to thousands of Texas veterans; however, due to the Hazlewood Legacy component of the exemption, it has quickly become a financial burden for many institutions.

Recommendations

The Senate Higher Education Committee make the following recommendations regarding *Set-asides, Exemptions and Waivers* to the 85th Legislature:

- The Legislature should direct the THECB to study the rate of increases in student fees statewide and the effect of those fees on the cost of attendance and student debt.
- The Legislature should create a statewide advisory group to define and promote best practices for strengthening financial literacy education for college students.
- In the absence of the B-On-Time Loan Program, the Legislature should explore new ways to provide financial assistance to students who have financial need but are ineligible for current state aid, due to their estimated family contribution levels.
- The Legislature should consider eliminating one or more of the tuition set-aside programs in statute, if the state is has the funds available to replace the aid provided to students through those set-asides in the form of additional appropriations to statewide grant programs, such as TEXAS Grants.
- The Legislature should require that any student receiving a mandatory or optional tuition and fee exemption first submit a Free Application for Federal Student Aid in an attempt to utilize federal aid dollars to the greatest extent possible.
- The Legislature should continue to appropriate funding for institutions to offset lost tuition and fee revenue as a result of the Hazlewood exemption.

Charge Five -- GAI and HRI Funding

Conduct a comprehensive review of funding for general academic institutions and health related institutions, examining whether the methodology for funding the same courses is equitable and productive. Make recommendations on how to update and streamline the current funding methods, to provide a consistent methodology that focuses on student success and innovative strategies. Include in the review a focus on tuition-revenue generating special items and formula and research funding for new medical schools.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on May 16, 2016. The hearing included invited testimony from the following persons:

- Demetrio Hernandez, Higher Education Team Manager, Legislative Budget Board
- Emily Deardorff, Analyst, Legislative Budget Board
- Julie Eklund, PhD, Assistant Commissioner for Strategic Planning and Funding, Texas Higher Education Coordinating Board
- Jeff Pool, Analyst, Legislative Budget Board

Findings/Analysis

Health Related Institutions (HRI) are funded by the state using several formulas, including the Infrastructure and Operation (I&O) Formula, the HRI Infrastructure Support Formula, the Research Enhancement Formula, the Graduate Medical Education Formula and some HRIs are funded through Mission Specific Formulas. Each of these formulas play an integral role in determining an institution's biennial funding from the state.

Demetrio Hernandez, Higher Education Team Manager, Legislative Budget Board, testified that HRIs are primarily funded using an I&O Formula. According to Emily Deardorff, Analyst, Legislative Budget Board, the formula for HRI's is based on Full Time Student Equivalents (FTSE) over a three-semester base period generated at an institution by a weight assigned to the program, regardless of the level. Unlike general academic institutions (GAI), the weights are not based on a cost study and have not changed since the implementation of the formulas in 2000. The I&O formula is generated by multiplying the weighted FTSE by the HRI I&O rate. In fiscal year 2016-2017, the FTSE rate was \$9,829. This rate is determined by the Legislature as funding is available.

Mr. Hernandez stated that there is additional funding through the HRI Infrastructure Support Formula, which allocates funding for physical plant support. This formula is derived by the total predicted square feet multiplied by the rate of \$6.65 in fiscal year 2016-2017. The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler, which are both mission specific schools, have an Infrastructure Support Formula rate of \$6.26.

Additionally, there is a Research Enhancement Formula which provides funding support for medical and clinical research at the institutions. Funding is allocated using a base amount plus a percentage of research expenditures from the most recent fiscal year. The Research Enhancement Formula has a base of \$1,412,500 for each school plus 1.23 percent of research expenditures. The Graduate Medical Education Formula also provides funding on a per resident basis at an accredited program. This formula is the number of medical residents at each institution multiplied by the rate of \$6,266 during fiscal year 2016-2017.

Ms. Deardorff reviewed the differences in funding for the same academic programs offered at both HRIs and GAIs. The funding levels for all GAI nursing and pharmacy semester credit hours through the GAI I&O formula are \$3,834 and \$8,192, respectively. Comparatively, funding levels for all HRI nursing and

pharmacy FTSEs through the HRI I&O formula are \$11,622 and \$16,414, respectively.

Due to the difference in funding mechanisms that occur at GAIs and HRIs, it is important to compare the proper metrics when determining the total dollar amount that is funded by the state to each receiving institution. The GAI I&O formula is based on semester credit hours while the HRI formula is based on FTSEs. Ms. Deardorff testified that the average funding per FTSE for nursing and pharmacy programs at GAIs is equivalent to 30 lower level undergraduate semester credit hours. Furthermore, each of the following is equivalent to one FTSE: 30 upper level undergraduate semester credit hours, 24 master's semester credit hours, 18 doctoral semester credit hours and 24 professional practice semester credit hours.

Ms. Deardorff stated that there are many other programs taught at both GAIs and HRIs. Some examples of those programs include: clinical psychology, biomedical science, biochemistry, pathology, bioengineering and biomedical engineering, audiology, and clinical laboratory science/medical technology.

Dr. Julie Eklund, PhD, Assistant Commissioner for Strategic Planning and Funding, Texas Higher Education Coordinating Board, testified that the GAI formula funding for pharmacy and nursing programs is cost indexed to each discipline's statewide average cost and to that of lower division liberal arts, whereas HRI weights are constant.

According to Jeff Pool, Analyst, Legislative Budget Board, special items are direct appropriations to institutions for programs or projects that are specifically identified by the Legislature. The majority of special item funding comes from General Revenue Funds, but some special items receive appropriations from General Revenue-Dedicated or other funds. Mr. Pool stated that some programs receive funding from special items in addition to generating formula funding. Chairman Kel Seliger noted a concern with programs receiving both special item and formula funding. Additionally, he noted that the original intent of some special items was for the purpose of beginning a new program, and after the start-up phase has been completed, these programs continue to receive special item funding.

Special item funding also includes Institutional Enhancement which began in fiscal year 2000-2001. Institutional Enhancement was based on a consolidation of certain special item appropriations in 1999, and an additional \$1 million per year was appropriated for each institution.

Mr. Pool also testified that the 84th Legislature appropriated funding for 362 special items at all types of institutions of higher education including GAIs, HRIs, Lamar State Colleges, Texas State Technical Colleges and community colleges. Other types of special items include institutional and instructional support, public service items, research items other than general research support, funding for separate campuses and accreditation programs.

The Legislature appropriated more than \$1 billion dollars in special item funding during fiscal year 2016 to institutions of higher education. Chairman Seliger stated his concern that over \$1 billion dollars in higher education funding was allotted outside of the funding formulas. The biennial funding amounts for special items ranged from \$31,500 for Chihuahuan Research at Sul Ross State University to \$61,397,900 for the School of Medicine at The University of Texas Rio Grande Valley.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding *GAI and HRI Funding* to the 85th Legislature:

- 1) The Legislature should continue to fund enrollment growth at both GAIs and HRIs, adjusted for inflation, through the General Appropriations Act for the 2018-2019 biennium.
- 2) The THECB should study the cost of similar programs at GAIs and HRIs to determine if the current funding methodology for each type of institution covers, at a rate above, equal to, or below, the instructional costs.
- 3) The Legislature should continue to explore ways to increase funding for the graduate medical education formula in order for the state to meet the goal of a 1.1:1 ratio of residency slots to each Texas medical school graduate.
- 4) The Legislature, with the assistance of the Legislative Budget Board, should review and consider eliminating or phasing out programs receiving both special item funding and formula funding for the next budget cycle. The same should be considered for special items which have been received by an institution for longer than three biennia for the purpose of the creation or expansion of a program.

Charge Six -- Baccalaureate Degrees at Community Colleges

Study regional workforce needs in the state and make recommendations on whether metrics should be applied to authorize public community colleges to offer certain baccalaureate degrees in order to meet the regional workforce needs.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on September 12, 2016. The hearing included invited testimony from the following persons:

- Andres Alcantar, Chairman, Texas Workforce Commission
- Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board
- Kathy Thomas, MN, RN, FAAN, Executive Director, Texas Board of Nursing Examiners
- Kristin Benton, MSN, RN, Director of Nursing, Texas Board of Nursing Examiners
- Andrew Cates, General Counsel and Director of Governmental Affairs, Texas Nursing Association
- Anita Hufft, PhD, Dean, College of Nursing, Texas Woman's University
- Lorraine Frazier, PhD, Dean, School of Nursing, University of Texas Health Science Center at Houston
- Cesar Maldonado, PhD, Chancellor, Houston Community College
- Neil Matkin, EdD, President, Collin County Community College District

Findings/Analysis

As Texas' population grows at a rapid rate and more businesses come to Texas and expand, demands on certain areas of the labor market will continue to rise. It is the job of Texas' education institutions to examine these labor market needs and develop innovative solutions to fulfill them and to prepare students for the available jobs. In many instances, this means that high schools, community colleges and universities must collaborate to educate students as efficiently and affordably as possible.

Andres Alcantar, Chairman, Texas Workforce Commission (TWC), testified on the needs of the Texas workforce and specific high-demand jobs. He stated that through its 28 workforce boards, TWC is constantly analyzing workforce trend data. These boards work closely with community colleges and trade programs, and study industry and labor statistics to determine current and future labor market trends. Chairman Alcantar stated that Texas has been a national leader in creating jobs for over a decade. These jobs have been very broad-based, which is a strength of Texas' economy. The state continues to see significant growth in its population and with that, the demand for jobs has increased as well.

As Texas' job market evolves, it is critical that the workforce and education systems be able to easily identify the needs of the economy and the available jobs. Chairman Alcantar stated that the Skills Development Fund has been a great investment for Texas. It allows for better communication between the workforce and higher education institutions, so that the skills taught in the classroom align with industry needs. Chairman Alcantar testified that community colleges are especially good at responding to labor market demands in applied technical areas.

Information technology is the most in-demand job in Texas and will continue to be for the next several years. In addition to information technology, retail, nursing, accounting and auditing, as well as industry trade jobs, such as electrical and welding, are among the highest in demand. Chairman Alcantar stated that Texas must be aware of the drivers of these industry changes and develop policy that will adapt and evolve with the economy and job market.

In recent years, community colleges have requested permission from the Legislature and approval by the Texas Higher Education Coordinating Board (THECB) to offer baccalaureate degrees as a means for Texas to meet these labor market demands. Raymund Paredes, PhD, Commissioner, Texas Higher Education Coordinating Board, provided background regarding community colleges offering

baccalaureate degrees, stating that in 2003, three community colleges - Midland College, Brazosport College and South Texas College - were authorized by the Legislature to each offer up to five applied science and technology baccalaureate degrees. Since then, the Legislature passed Senate Bill 414 in 2013, mandating the THECB conduct a study on whether all community colleges should be allowed to offer baccalaureate degrees. In 2015, the Legislature then passed House Bill 3348, authorizing a pilot project for Tyler Junior College to offer a dental hygiene baccalaureate degree.

Commissioner Paredes testified that as a result of the 2013 study, the THECB recommended that community colleges be allowed to offer certain applied baccalaureate degrees if they can demonstrate unmet workforce needs in their areas and meet specific metrics laid out by THECB. These metrics include not duplicating existing programs, having adequate faculty resources and basing the degree on an existing, successful associate degree program. Furthermore, the THECB would only approve programs for which all opportunities for university partnerships and articulation agreements have been explored, as well as those colleges who meet the current statutory criteria of \$2.5 billion in property valuation.

As of the fall of 2015, 803 students were enrolled in a bachelor of applied technology program at one of the community colleges currently offering four-year degrees. The majority of those students are enrolled at South Texas College, which currently has 602 students enrolled in their bachelor of applied technology program. Commissioner Paredes testified that one of the things the THECB examined in its study was how quickly community colleges expanded their baccalaureate degree programs and reached the five degree statutory limit. The THECB also studied whether there would be a desire by all community colleges to offer baccalaureate degrees. The study found that the community colleges currently offering four-year degrees have not reached the five degree limit because they report that it is an expensive and difficult process to establish a baccalaureate degree program and meet accreditation standards.

Currently, Brazosport College and Midland College offer two baccalaureate degree programs and South Texas College offers four baccalaureate degree programs. Commissioner Paredes stated that a recent survey by the Texas Association of Community Colleges found that of the 41 community colleges responding, 15 community colleges reported they would be interested, three reported they might be interested and 23 said they would not be interested in offering baccalaureate degrees.

Commissioner Paredes recommended the Legislature direct the THECB to work with the TWC and local workforce boards to study three to five applied science degrees each biennium for community colleges to offer as baccalaureate degrees. He also recommended the Legislature remove the statutory five degree limit on community college offerings.

Over the last several years, Texas has experienced a significant shortage of registered nurses (RNs), and several community colleges have indicated a desire to expand their nursing programs to offer Bachelor of Science in Nursing (BSN) degrees to help meet this demand. Kristin Benton, MSN, RN, Director of Nursing, Texas Board of Nursing Examiners (Board), testified on the role of the Board in providing initial and ongoing approval of pre-licensure nursing programs across the state. She stated that pre-licensure nursing programs are those programs that prepare students at the associate and bachelor degree level to sit for the nursing license exam and become RNs. Post-licensure nursing programs educate existing RNs who wish to complete a BSN, a Master of Science in Nursing (MSN) or a doctoral degree. A common post-licensure program is the RN to BSN program, created for students with an associate's degree in nursing (ADN) seeking a BSN. Ms. Benton stated that the Board does not regulate post-licensure programs.

Ms. Benton testified that the Texas Center for Nursing Workforce Studies found that as of 2015, there was demand for an additional 17,000 RNs in the state, and that this need is expected to grow to 66,000 by 2030. In 2015, all nursing pre-licensure programs, both at the ADN and the BSN level, reported that they had the capacity for 16,000 students and received 24,000 qualified applications. Ms. Benton stated several reasons programs reported for not being able to enroll the remaining 30 percent of qualified applicants, including a lack of clinical training space, a lack of budgeted faculty positions, a lack of qualified applicants for those budgeted faculty positions and a lack of classroom space. Despite these student capacity levels, nursing pre-licensure programs have grown increasingly since 2006; specifically, 65 new programs have been developed. Ms. Benton noted, however, that of these 65 programs, 13 have already shut down. She stated that factors for these closures may include inexperienced faculty and program directors, high turnover rates, a lack of rigor in admissions and a lack of support for nursing administrators.

Kathy Thomas, MN, RN, FAAN, Executive Director, Texas Board of Nursing Examiners, testified that a report by the Institute of Medicine in 2010 on the future of nursing stated that nationwide, 80 percent of RNs should hold a BSN by 2020.

This report also cited research that concluded that nurses prepared at the baccalaureate degree level have better patient outcomes. Furthermore, faculty shortages will require double the number of nurses prepared at the doctoral level.

In Texas, between 2007 and 2015, the number of BSN prepared nurses increased by 12 percent. Ms. Thomas believes that one reason for this is the job market is seeking more BSNs. Another reason for this increase is that the Legislature has appropriated funding for the Nursing Shortage and Reduction Program. This program offers grants, distributed by the THECB, that provide financial incentives to schools that prove their ability to improve enrollment and graduation rates of new nurses and increase nursing education capacity. Ms. Thomas reported this funding has proven to be very effective in increasing the number of BSN graduates.

Andrew Cates, General Counsel and Director of Governmental Affairs, Texas Nursing Association, recommended that the Legislature fully fund the Nursing Shortage and Reduction Program. He also recommended the Legislature fund the Nursing Faculty Loan Repayment Program, which provides financial incentives for nurses to leave their jobs in the field and teach. Currently, this program is not specifically allocated any funding from the state, but receives money left over from the Physician Education Loan Repayment Program. Last year, the Nursing Faculty Loan Repayment Program received \$2 million. Mr. Cates stated that the THECB, the agency that oversees this program, cannot adequately promote it because the amount of funding available from year to year is inconsistent and unpredictable. In Texas, the vacancy rate for nursing faculty is three percentage points higher than the national average, while the faculty turnover rate is 21 percent. Texas must do more to encourage nurses to take faculty positions. Senator Watson expressed the concern that while these programs have been successful, they have not been successful at a high enough rate to solve Texas' nursing shortage.

The Texas Board of Nursing Examiners requires by rule that ADN programs develop strong articulation agreements with BSN post-licensure programs to provide students going from an RN to a BSN an easy transfer pathway. Ms. Thomas testified that all ADN programs have at least one articulation agreement with a BSN program. She noted that a report by the Texas Center for Nursing Workforce Studies stated that there are 40 post-licensure, RN to BSN programs in Texas. These programs report having capacity for over 12,000 students and admitting 4,000 qualified applicants each year. Seven of these programs stated that

they are not able to meet their capacity goals because of a lack of qualified faculty applicants and the lack of a budget to hire qualified faculty.

In addition to approval by the Texas Board of Nursing Examiners, nursing programs may also be accredited by a national nursing accreditation body. Ms. Benton stated that 70 percent of all nursing programs in Texas are accredited, including 95 percent of BSN programs. Ms. Thomas testified that students who graduate from a non-accredited institution with a BSN may have a harder time matriculating to another institution for a graduate degree, because many graduate degree programs do not accept students who graduated from a non-accredited program. This is especially important when it comes to filling faculty shortages, as students graduating from non-accredited institutions with a BSN will not be able to obtain a higher degree in order to be qualified to teach. Mr. Cates stated the importance of nursing program accreditation, as it is key to ensuring students are able to further their nursing education if desired.

Mr. Cates recommended that the Legislature focus on the already established, successful programs when trying to solve the nursing shortage problem. One such successful strategy is the Consortium for Advancing Baccalaureate Education in Texas (CABNET), a group of community colleges and universities that are working together to increase the number of RN to BSN graduates. These schools form CABNET agreements with one another, which are articulation agreements designed to offer a seamless pathway for students in pursuing their RN to BSN degree. Mr. Cates testified that Texas Tech University is an excellent example of a university that is forming articulation agreements with several community colleges to graduate students with a BSN. Mr. Cates stated that while the RN to BSN programs are valuable in getting to the 80 percent BSN goals for the state, they do not solve the immediate nursing shortage problem, because they are continuing to educate existing RNs and do not produce new ones.

Anita Hufft, PhD, Dean, College of Nursing, Texas Woman's University (TWU), testified that TWU has received funding from the Nursing Shortage and Reduction Program since 2006. With these funds, TWU has been able to expand its pre-licensure programs by almost 25 percent as of fall 2015. Most recently, however, growth has slowed because of a lack of available, qualified faculty and a lack of clinical placements sites. Dr. Hufft stated that TWU is still exploring creative ways to expand its pre-licensure programs through collaborative clinical agreements.

Dr. Hufft testified that TWU's national accreditation is very important to the university. She stated that it ensures high standards for programs and graduates and

teaches competencies required by jobs today, as well as in future nursing and healthcare jobs.

Dr. Hufft testified that TWU recognizes the need for more nurses in Texas and is committed to collaborating with partners statewide to solve this problem. Dr. Hufft stated that TWU is an active member of CABNET and that articulation agreements and collaborations with community colleges are a big part of the strategy to help grow Texas' BSN population through RN to BSN programs. She testified that TWU's RN to BSN program is completely online and as a result, has unlimited enrollment capacity since clinical space and faculty shortages do not impact the program model. Through TWU's program, students can obtain their BSNs from an accredited university without ever leaving their current nursing jobs or hometowns. Dr. Hufft believes that Texas' shortage of BSN nurses can be met through these types of programs.

Currently, TWU has 16 articulation agreements with community colleges throughout the state. Four of these articulation agreements allow students to co-enroll in a community college and at TWU so they may progress more quickly through a BSN. TWU is also working on partnering with two more community colleges on co-enrollment agreements and are looking for ways to expand these further.

Neil Matkin, EdD, President, Collin County Community College District (Collin College), testified that Texas' critical workforce needs are not being met by the current programs and partnerships in place. He stated that articulation agreements are only getting Texas part of the way to meeting the workforce needs of the state.

Dr. Matkin testified that the Collin County community, including hospital executives, the business alliance and the Legislative caucus, have determined that the critical need for more nurses is a priority for the region. He stated that the number one staffing issue in Collin County hospitals and medical centers is a lack of BSN nurses. The population in Collin County is increasing rapidly and is expected to double in the next twenty years. As a result, institutions such as Pepperdine University have come to Collin County, but none have been willing to spend the money to build a nursing education facility and offer a BSN degree. While Collin College has partnerships with universities for RN to BSN programs, including TWU, he stated that only one in twenty students go on to complete their BSN online.

Cesar Maldonado, PhD, Chancellor, Houston Community College (HCC), testified that while HCC concurs with the proposal of community colleges offering baccalaureate degrees, he stated that it must be done in a thoughtful manner. In making the determination to allow a community college to offer four year degrees, Dr. Maldonado stated that the THECB must first look at opportunities for resource sharing with neighboring universities and prudent long-term fiscal sustainability.

Dr. Maldonado stated that HCC is also focused on addressing workforce demands by partnering with neighboring universities to offer seamless pathways for students to attain a bachelor's degree, allowing both HCC and the universities to utilize existing resources and expand their established programs.

One such model Dr. Maldonado explained is a traditional 2+2 model, where HCC partnered with Texas A&M University - College Station to co-enroll engineering students and move them from HCC to College Station after two years. In this 2+2 model, all engineering coursework is taught by Texas A&M University faculty allowing students transfer coursework seamlessly. The other model Dr. Maldonado explained is HCC's 2² model, where HCC partnered with the University of Texas at Tyler for civil, mechanical and electrical engineering bachelor's degrees to be completed entirely at the HCC campus by both HCC and University of Texas at Tyler faculty. Dr. Maldonado stated that in this model, faculty are able to collaborate on curriculum and to easily exchange ideas.

Dr. Maldonado explained that HCC is located close to several nursing programs in the Texas Medical Center, and if it were to offer a BSN degree it would be competing with these programs for the same clinical space and faculty. As a result, HCC decided the best way to expand its nursing program was through partnerships, specifically with the University of Houston Downtown. In this partnership, HCC will offer a seamless RN to BSN transfer pathway for nursing students. This will allow HCC to expand its ADN program using existing faculty and clinical space.

In looking at innovative opportunities to expand its ADN program, Dr. Maldonado stated HCC is looking to partner with area high schools to establish a nursing and health careers early college high school. Dr. Maldonado testified that this would be beneficial in bringing more students into the nursing profession and would help fill the shortage gap. He stated that HCC is also exploring ways to do this in other high-need job market areas, such as business and accounting, computer science and urban agriculture.

Lorraine Frazier, PhD, Dean, School of Nursing, University of Texas Health Science Center at Houston (UT-Health), stated that the school's location in the Texas Medical Center gives UT-Health the unique opportunity to collaborate with many nursing programs in the area. The nursing school at UT-Health enrolls 1,500 students, and 68 percent of those are graduate students. Dr. Frazier testified that the UT-Health graduate nursing school program ranks in the top five percent of nursing school programs nationwide.

Dr. Frazier stated that UT-Health is committed to developing innovative ways to help Texas solve its nursing and faculty shortages. Recently, UT-Health graduated 16 doctoral students in three years, allowing them to qualify for faculty positions quickly. The school also offers an accelerated BSN program where students graduate in 15 months, as well as an accelerated RN to BSN program which is completed in eight months. Dr. Frazier stated that UT-Health will move their RN to BSN program to be completely online this fall, allowing students to complete the degree from home.

Dr. Matkin testified that Collin College is a member of the newly formed Community College Coalition of Texas - a coalition of nine colleges seeking Legislative approval to offer baccalaureate degrees in specific fields, where there is a demonstrated need. If Collin County were allowed to offer a BSN degree, Dr. Matkin stated, it could do so for a \$10,000 cost to the student. He testified that by providing this low-cost option, Collin College would expand the BSN student pipeline to persons who might not otherwise be able to afford a BSN degree. Dr. Matkin also explained that if community colleges were allowed to offer certain baccalaureate degrees, the expansion would be funded solely through local property tax dollars, private resources and existing state appropriations.

The critical need for a qualified workforce in Texas is undisputed. The Legislature is in a position to encourage higher education institutions to offer innovative, affordable approaches to fill these high-need areas, while simultaneously ensuring that providing quality education remains a top priority.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding *Baccalaureate Degrees at Community Colleges* to the 85th Legislature:

- 1) Community colleges and universities, both general academic institutions and health related institutions, should continue to work together through partnerships, concurrent enrollment agreements, and articulation agreements to ensure efficiency statewide when addressing solutions to the workforce needs of Texas. The Legislature should require THECB to complete a detailed study of current articulation agreements that lead to degrees and best practices.
- 2) If the Legislature should choose to provide community colleges with the authority to offer baccalaureate degree programs, in addition to the recommendations of the THECB, it should consider the implications with regards to: (1) formula funding; (2) financial aid programs; and (3) exemptions or waivers for tuition and fees.
- 3) Specifically related to RN-BSN baccalaureate degree programs at community colleges, the availability of qualified faculty and clinical space should be a consideration of the THECB to ensure existing ADN, BSN, MSN, or other nursing programs are not negatively impacted by a potential change in degree granting authority for community colleges.

Charge Seven -- Legislation Oversight

Monitor the implementation of legislation addressed by the Senate Committee on Higher Education and make recommendations for any legislation needed to improve, enhance, and/or complete implementation. Specifically, monitor the following:

- Initiatives designed to create effective, clear transfer pathways for students, including the newly enacted multidisciplinary studies associate degree;
- Implementation and progress of the Math and Science Scholars Loan Repayment Program; and
- The progress of the pilot program enacted by the 83rd Legislature relating to improving student loan default rates and financial aid literacy among postsecondary students.

Testimony

The Senate Higher Education Committee heard testimony regarding this charge on September 12, 2016. The hearing included invited testimony from the following persons:

- Charles Puls, EdD, Deputy Assistant Commissioner for Student Financial Aid Programs, The Texas Higher Education Coordinating Board
- Rex Peebles, PhD, Assistant Commissioner for Academic Quality and Workforce, The Texas Higher Education Coordinating Board

Findings/Analysis

During the past two legislative sessions, several bills passed that have impacted higher education in Texas. The Texas Higher Education Coordinating Board (THECB) has monitored, and continues to monitor, the effect these bills have on students, teachers and institutions. Specifically, the issues studied in this charge relate to the effectiveness of the Math and Science Loan Repayment Program, the Texas Student Loan Default Prevention and Financial Aid Literacy Pilot Program, the impact of the creation of the Multidisciplinary Studies associate's degree and revising and developing fields of study and programs of study.

Charles Puls, EdD, Deputy Assistant Commissioner for Student Financial Aid Programs, The Texas Higher Education Coordinating Board, provided an update on Senate Bill (SB) 1720 passed during the 83rd Legislative Session. SB 1720 established the Math and Science Loan Repayment Program, designed to encourage high achieving math and science scholars to pursue teaching at schools receiving Title 1 funding. During the 84th Legislative Session, statute was amended to allow this program to receive legislative appropriations and instructed the THECB to allocate the approximate \$2.6 million increase in the Teach for Texas Loan Repayment Program towards the Math and Science Loan Repayment Program.

Recipients of this award will begin receiving payments for the 2016-2017 school year. With the \$2.6 million allocated, 250 people will each receive awards of \$5,000 per year. Dr. Puls stated that while the program requires an eight year commitment from individuals, the THECB has modeled the implementation of this repayment program similar to the successful Physician Education Loan Repayment Program, where awards are distributed at the end of each eligible service period. It is too early to know how much interest the program will garner, as the first awards will not be distributed until the summer of 2017 and the program is currently being promoted to candidates.

Dr. Puls also testified on SB 680 from the 83rd Legislative Session, which established the Texas Student Loan Default Prevention and Financial Aid Literacy Pilot Program. The THECB partnered with Texas Guaranteed in executing this program, instructing the company to develop the features and guide the implementation process. The Student Loan Default Prevention and Financial Aid Literacy Pilot Program aids in the THECB's higher education plan, *60x30TX*, which includes building better financial literacy among students, as well as managing student loans. This pilot program includes nine institutions, representing

each sector of higher education, and is focused on four campus activities: default prevention planning, empowering institutions to provide financial education and student loan counseling (over 4,000 participants last year), financial coaching for students, and monthly financial articles and tips for students (averaging 800 views per month).

Dr. Puls stated that last year was the first year of this program and the focus was to establish these activities on each campus. This year, the focus has been on assessing the effectiveness of these activities and implementing changes accordingly. A report on the findings from these assessments is due to the Legislature in December. Initial findings show that participant knowledge gain and customer satisfaction have been successful. Total participation by students and the retention of institutions have been two challenges; however, efforts are being made to identify ways for improvement.

Rex Peebles, PhD, Assistant Commissioner for Academic Quality and Workforce, Texas Higher Education Coordinating Board, provided an update on SB 1189, passed during the 84th Legislative Session, authorizing each public junior college to establish a multidisciplinary studies associate degree program. Dr. Peebles stated that, as of this fall, all 50 community colleges have established this degree. It includes core curriculum courses and establishes an easy pathway for students considering transferring to a four year university. This legislation also requires that students receive advising from a college counselor after they have completed no more than 30 semester credit hours. Since this associate's degree plan has only just been implemented, it is too soon to measure its effectiveness.

Dr. Peebles also testified on House Bill 2628 passed by the 84th Legislature, instructing the THECB to update existing fields of study periodically and develop new fields of study, as well as programs of study, for popular majors. Fields of study establish the lower division courses for a major in a bachelor's degree and range between 12-18 semester credit hours. Courses completed in a field of study are completely transferrable to other community colleges and four year universities, and must be applied to the degree in the appropriate major. While fields of study have been in statute since 1997, this legislation will allow them to be more useful in the transfer process.

Most recently, Mexican-American studies, music, architecture and nursing fields of study have been revised. The THECB has done an analysis of the most popular majors that are transferred from a community colleges to determine new fields of study to develop. Currently, new fields of study in development are business,

criminal justice and computer science. The THECB also looks at workforce demands, areas that are problematic in the transfer process, majors that require major-specific coursework in the first or second year, and requests from professors and students when determining which fields of study to develop.

Programs of study establish degree requirements for associate of applied science degrees, which fall under career and technical education. They range from 45-60 semester credit hours and allow for easier transfer among two year institutions and better alignment with four year universities in applied bachelor's degrees. Dr. Peebles testified that the THECB is just beginning the process of developing programs of study and are establishing committees comprised of secondary and postsecondary faculty, administrators and business and industry representatives to begin the review. He stated that these committees have been organized around Texas' 16 industry clusters.

The THECB is still early in the process of developing programs of study. Dr. Peebles stated that the THECB has reorganized its staff to handle the additional work load and has devoted one full-time staff person to working on fields of study and programs of study, as well as several part-time faculty. The THECB will request that the 85th Legislature consider funding an exceptional item request for \$500,000 to allow for two additional full-time staff on this project, and to help defray travel costs for committee members. Dr. Peebles stated that he believes both fields of study and programs of study will help students transferring between institutions and will better clarify the transfer process.

Recommendations

The Senate Higher Education Committee makes the following recommendations regarding *Legislation Oversight* to the 85th Legislature:

- 1) Measures such as the multidisciplinary studies associate's degree and the development of programs of study by the THECB should continue to be implemented and best practices of the programs should be explored.
- 2) SB 1720, relating to establishing the Math and Science Loan Repayment Programs, will distribute the first set of awards in summer 2017. The Legislature should monitor the program's effect on workforce needs for high quality math and science teachers, specifically at Title 1 schools.
- 3) Texas Guaranteed and the THECB are in the process of producing a report on the Texas Student Loan Default Prevention and Financial Aid Literacy Pilot Program established by SB 680, 83rd Legislature. The Legislature should receive this report in December 2016, and based on its findings could provide additional recommendations for improving effectiveness or creating new best practices to help increase financial literacy among students and decrease student loan default rates.

Charge Eight -- Educator Preparation

Study teacher shortage and retention issues in Texas and evaluate educator preparation programs to determine if these programs are preparing educators for the rigors of the 21st century classroom. In particular, examine the shortages of ELL, special education, and STEM educators across the state and identify the issues creating a shortage. Make recommendations to improve educator preparation throughout the state and increase certification rates.

Testimony

The Senate Higher Education Committee and the Senate Education Committee heard testimony regarding this charge on March 29, 2016. The hearing included invited testimony from the following persons:

- Ryan Franklin, Associate Commissioner, Educator Leadership and Quality, Texas Education Agency
- Michael Marder, PhD, Executive Director, UTeach, The University of Texas at Austin
- Tim Letzring, EdD, JD, Dean, College of Education and Human Services, Texas A&M University-Commerce
- Jim Nelson, JD, Chairman, Texas Teacher Preparation Collaborative
- Pedro Martinez, Superintendent, San Antonio ISD
- Jim Wussow, PhD, Assistant Superintendent for Academic Services, Plano ISD
- Tonya Davis, PhD, Associate Professor, School of Education, Baylor University
- Diann Huber, EdD, President, iTeach
- Linda Johnsrud, PhD, Interim Provost, University of Texas at Arlington

Findings/Analysis

For a number of years, Texas has struggled to find a balance between tackling low teacher retention rates and ensuring that teachers in the classroom are adequately prepared for their jobs. Finding this balance is no small task, but student success depends upon it. With the passage of key legislation by the 84th Legislature, regarding raising teacher preparation standards, Texas has made strides toward achieving this goal.

Ryan Franklin, Associate Commissioner, Educator Leadership and Quality, Texas Education Agency (TEA), stated that last year Texas had 342,000 teachers in the classroom. According to data from TEA, the average Texas teacher will be in the classroom for 11 years. When considering teacher attrition, it is important to consider the systemic progression of teachers in their careers, beginning with educator preparation, induction into managing a classroom of students, mentoring by expert teachers and ongoing professional development.

Mr. Franklin testified that since the 2010-2011 school year, teacher attrition has stayed consistent; however, the challenges that specific school districts face can vary greatly from year to year. This is especially true for smaller districts, where almost a quarter of the teachers leave each year, resulting in greater hiring needs. Some of the most difficult data for TEA to obtain is regarding teacher shortage areas, since hiring is all handled at the local level. Some shortage areas that have existed in Texas for a number of years include: bilingual and English as a second language (ESL), special education, career and technical education, computer science and technology applications, mathematics and science.

Mr. Franklin testified that 68 percent of Texas teachers stay in the classroom for five years or more. When broken down by program type, the five year retention rate for undergraduate university trained teachers is 76.4 percent, for university post-baccalaureate trained teachers is 67.8 percent and for alternative certification trained teachers is 66.7 percent. Michael Marder, PhD, Executive Director, UTeach, The University of Texas at Austin, stated that according to data he has analyzed, teachers from alternative certification programs have been leaving the profession at a faster rate than teachers from traditional educator preparation programs.

Legislation passed by the 84th Legislature helps address the bilingual education and ESL teacher shortages. Specifically, House Bill 218 requires teachers assigned to bilingual education programs using a transitional bilingual or early exit transitional

bilingual program to be appropriately certified. This law has allowed districts to assign multiple appropriately certified teachers for components of a dual language immersion program provided in a language other than English and in English.

Jim Wussow, PhD, Assistant Superintendent for Academic Services, Plano Independent School District (ISD), testified to issues Plano ISD is facing in recruiting and retaining ESL teachers. Currently, Plano ISD has 55,000 students enrolled with 30 percent of those being Hispanic, 10 percent Asian, 10 percent African American and 50 percent Caucasian. Dr. Wussow stated that there are 105 different languages spoken by the students and families in his school district. With the diversity of languages spoken in Plano ISD, the district faces issues with maintaining enough ESL and bilingual teachers to meet the needs of the student population. Dr. Wussow testified that they have a lot of ESL teacher turnover each year, and the district struggles to provide adequate mentorship to new teachers during their first years in the classroom.

Dr. Wussow testified that recruiting bilingual certified teachers for upper grade levels is especially difficult. He stated that generally, students who need ESL courses in middle and high school need additional support from teachers in developing language acquisition skills. This can be a challenging skill for teachers to teach if they are inexperienced or did not receive proper training. Dr. Wussow testified that the district has found that the Universal Design for Learning educational model works very well for these students, as it makes learning more accessible and is very goal oriented. He stated that Plano ISD has begun using this model in other classrooms as well.

Diann Huber, EdD, President, iTeach, testified on teacher shortage areas in the state and how alternative certification programs play a role in filling these positions. With 49 percent of teachers in Texas coming from alternative certification programs every year, many of whom are teaching in shortage areas, it is important that Texas ensure these teachers are getting adequate training and mentorship. Dr. Huber recommended that Texas conduct a comprehensive workplace analysis of the teaching profession to get a better understanding of the data on teacher recruitment and retention and educator preparation.

Dr. Huber stated that this year, iTeach Texas had 1,600 teachers from their program sit for their initial teacher's certification exam. She noted that iTeach Texas' retention rate falls between 86 and 92 percent for any three year cohort, and she believes this is largely because of the intensive supervision the program provides teacher candidates during their first year in the classroom on a

probationary teaching certificate. Currently, Texas mandates that educator preparation programs perform three field supervised observations for their teacher candidates during their first year in the classroom. Dr. Huber recommended that Texas increase the number of mandatory field supervisions a program must provide for their teacher candidates. This is especially important for alternatively certified teachers, as they often only receive 15 hours of training in a classroom setting before becoming the teacher of record.

iTeach Texas is the only program not located at an institution of higher education to attain national accreditation. Dr. Huber recommends that Texas require all educator preparation programs obtain national accreditation, a requirement that exists in many other states, in order to raise the standards of all programs. Furthermore, Dr. Huber stated that in the absence of this requirement, Texas should do more to incentivize programs to acquire national accreditation.

Tim Letzring, EdD, JD, Dean, College of Education and Human Services, Texas A&M University-Commerce, testified that Texas A&M University-Commerce is the fifth largest producer of teachers among universities. Dr. Letzring spoke on the high teacher retention rates produced at Texas A&M University-Commerce; specifically, 82 percent of the early childhood through 6th grade teachers remain in the classroom after five years. He stated that although their retention rates are high, there is always room for improvement and increasing retention rates by even a few percentage points helps to reduce the state's need for new teachers each year.

Dr. Letzring attributed Texas A&M University-Commerce's high retention rates to a number of factors, including the formal partnerships the school has with 40 school districts across the region. Texas A&M University-Commerce works closely with these school districts to setup meaningful student teaching opportunities for their teacher candidates with quality mentor teachers. Dr. Letzring stated that teacher candidates spend a significant amount of time in the classroom training and becoming comfortable with the work environment. Mentorship programs during a teacher's first year are shown to have a big impact on teacher retention rates, as confirmed by a study done by the National Center for Educational Statistics. Dr. Letzring stated that Texas A&M University-Commerce is working to establish a mentor program for all of their graduates, but they currently do not have the resources to do so.

Pedro Martinez, Superintendent, San Antonio ISD, testified to some of the challenges that school districts in economically disadvantaged areas of Texas face with teacher retention and recruitment. He stated that of the 53,000 students in his

district, 93 percent fall below the poverty line, and more than half of those students qualify for Head Start, many of them being ESL learners. He noted that the school districts in Bexar County hire about 3,100 teachers every year, and with two large suburban school districts adjacent to San Antonio ISD, there is a severe shortfall of teachers available in this area of the state. Mr. Martinez stated that one of the results of low teacher attrition in his district, in addition to multigenerational low poverty levels, are low college readiness scores and standardized test results.

In Texas, special education teacher retention is also low. One-third of special education teachers leave the field after three years. Tonya Davis, PhD, Associate Professor, School of Education, Baylor University, stated that this is largely attributed to inadequate preparation. Special education is a general certification covering all content areas Kindergarten through 12th grade, as well as all types of disabilities. As a result, special education teachers often teach different subjects and grade levels from day-to-day, going wherever they are needed most. Dr. Davis recommended that Texas break-out the special education certification either by age range or level of disability, allowing teachers to have a more focused training and job scope.

Professional development is an area Dr. Letzring noted is especially important during a teacher's first two years in the classroom. Dr. Letzring stated that Texas will get the most return on its investment by investing in teacher support during these first two years. The Carnegie Foundation for the Advancement of Teaching found that school stability and student achievement were dramatically affected by high turnover of new teachers. High turnover was largely due to the lack of professional development opportunities.

Dr. Letzring recommended that Texas invest in more professional development for teachers, especially for those in their first two years in the classroom. He reported that 64 percent of teachers that were not retained after five years left the profession in the first two years of teaching. He stated that professional development is especially helpful for those teachers teaching out of field.

According to teacher feedback collected by Plano ISD, the district has pinpointed a couple of areas for improvement in teacher training and support. First, new teachers reported that they would have liked to have had more field experience before becoming the teacher of record in the classroom. Dr. Wussow stated that this is especially true when it comes to classroom management and situational awareness. He explained that many teachers reported that while they learned useful strategies in their preparation courses, they did not understand why some strategies

worked well with some students and not others, and when to best employ them. As a result of this feedback, Dr. Wussow stated that Plano ISD is in the process of creating new professional development courses on classroom management strategies.

In Texas, there are 230 different educator preparation programs, according to data from TEA. There are eight different types of programs offered at universities, community colleges, school districts, regional service centers and private entities. Of those, alternative certification programs and undergraduate educator preparation programs certify the most new teachers every year.

Over the years Texas has worked to better oversee the different types of educator preparation programs and weed-out bad actors. In doing so, Texas has developed a set of rules that can be difficult to apply to all program types. Dr. Marder spoke on how Texas has a very unique educator preparation program environment with many different types of programs all working together towards the same goal of producing teachers. Dr. Marder recommended that Texas do more to encourage innovation among programs and partner with universities to recruit teachers for 21st century classrooms. He recommended that the state do more to collaborate with successful programs and share best practices that encourage the recruitment of mathematics and science teachers to align with the innovation that is in HB 5, passed by the 83rd Legislature.

With the passage of HB 2205 and HB 1300 by the 84th Legislature, some important changes were made to the educator preparation system in an effort to raise the standards of these programs and their graduates. Mr. Franklin testified that SBEC and TEA have been in the process of implementing these changes, with different aspects of these bills going into effect over the last year. Included in these changes are new reporting requirements for educator preparation programs on field supervision and employment data on teacher candidates, a five-time certification testing limit for teacher candidates and establishing an average cohort grade point average of 3.0 for admittance into a program. These changes will better ensure teachers are entering the classroom prepared to educate.

Dr. Marder spoke on the University of Texas' unique UTeach educator preparation program. The UTeach program was developed at the University of Texas at Austin as a collaboration between the College of Natural Sciences and the College of Education to help address the shortage of mathematics and science teachers across Texas. The UTeach program model, while based at a higher education institution, operates very differently from traditional educator preparation programs. Since its

development in 1998, UTeach has expanded to more subject areas, as well as seven institutions across the state and 44 institutions nationwide, producing about 200 mathematics and science teachers each year. UTeach has proven to be a very effective method of teacher preparation and allows students to major in a subject of their choosing, as well as earn a teaching certificate just in four years.

Mr. Martinez stated that the need for qualified teachers in San Antonio ISD is so great that expanding programs, such as the UTeach program, is paramount. Linda Johnsrud, PhD, Interim Provost, University of Texas at Arlington (UT-Arlington), also stated her support for the UTeach program. She stated that it has greatly increased the number of mathematics and science teachers UT-Arlington produces every year. Since the program is located in the College of Science, as opposed to the College of Education, it is very successful at recruiting those students into teaching.

Dr. Marder testified that thousands of Texas' mathematics and science teachers are teaching out of their certified fields and without the proper credentials. With the passing of HB 5, the demand for mathematics and science teachers has slightly reduced, as there is more diversity in the courses offered; however, as a result, determining if there is a shortage of mathematics and science teachers has become more challenging. Furthermore, Dr. Marder stated that the number of computer science teachers has remained consistently too low to offer computer science as broadly as other sciences such as chemistry and physics.

Texas is producing fewer mathematics and science teachers now than it has in almost a decade. Dr. Marder testified that traditional educator preparation programs have been consistently producing the same number of mathematics and science teachers; however, that number is too low to meet the state's needs. Alternative certification programs have seen a more dramatic decline in the number of mathematics and science teachers they produce in the past ten years.

Dr. Davis testified on Texas' need for more qualified special education teachers. She stated 70 percent of special education students are taught in general education classrooms with their peers. Most special education teachers work with the general education teacher to assist special education students in the classroom discreetly. She recommended that Texas require all general education teachers receive special education training. Whether that be coursework or field experience, she stated that most general education teachers will work with special education students in their classrooms, and it is important that they are adequately trained. In fact, Dr. Davis noted that 95 percent of general education classrooms include at least one special

education student. Dr. Davis pointed out that, as a result of this training, more teacher candidates would be able to consider special education as an area of focus.

Jim Nelson, JD, Chairman, Texas Teacher Preparation Collaborative (the Collaborative), testified on the work the Collaborative is doing in gathering input from stakeholders from across the state and country on educator preparation. The Collaborative is comprised of deans of colleges of education, leaders of alternative certification programs, teachers, superintendents, professional development administrators and teacher preparation advocates. It is the goal of the Collaborative to provide the Legislature, TEA, and school districts with comprehensive policy recommendations and best practices. Mr. Nelson testified that the Collaborative is studying what is currently happening in educator preparation and how Texas can ensure every classroom has a qualified teacher every day.

While educator preparation is a critical component of preparing quality teachers, time spent in the classroom training and gaining experience is paramount. Mr. Nelson stated that it is important that educator preparation programs have good relationships with the school districts in which their teacher candidates are placed, to ensure feedback on teacher candidates is reported to the candidates and their mentors.

Dr. Johnsrud testified on how UT-Arlington's College of Education works with school districts in the community to recruit and train quality teachers. UT-Arlington has partnerships with 20 of the surrounding school districts in the region, and Dr. Johnsrud stated that these partnerships are beneficial for the students, school districts and the university.

In one such partnership, UT-Arlington and Arlington ISD established a Teacher Academy. This Teacher Academy will give students in their last two years of high school the opportunity to earn 24 hours of college credit from UT-Arlington's College of Education at no cost. Upon graduating from high school, these students will only have three years remaining to obtain a bachelor's degree in education and can transfer seamlessly to the UT-Arlington College of Education. Furthermore, these students will be guaranteed teaching positions at Arlington ISD upon completion of their bachelor's degree. Dr. Johnsrud stated that this partnership allows Arlington ISD to recruit and retain quality teachers from their own community and establish a quality teaching pipeline.

Mr. Martinez testified on San Antonio ISD's partnership with Trinity University to recruit and retain quality teachers in their classrooms. He stated that this fall, San

Antonio ISD has partnered with Trinity University to open an advanced learning academy, available to all students from the district who want academic challenges and opportunities for acceleration. This partnership allows resident teachers to earn a free master's degree while teaching at the academy and be trained by highly qualified mentor teachers. Mr. Martinez stated that this partnership will encourage teachers to stay in San Antonio ISD long-term and eventually allow them open more advanced learning academies throughout the district.

Well-trained teachers are essential to the success of students in Texas' education system. The Senate Higher Education Committee and Senate Education Committee heard from stakeholders across the state on best practices for preparing, recruiting and retaining quality teachers in the classroom. It is important that, moving forward, Texas continue to share and promote these best practices.

Recommendations

The Senate Higher Education Committee and Senate Education Committee make the following recommendations regarding *Educator Preparation* to the 85th Legislature:

- 1) The Legislature should explore options for Texas to conduct a comprehensive workplace analysis of the teaching profession in order to provide a better understanding for policy makers of the data on teacher recruitment, retention, shortage areas and educator preparation.
- 2) The Legislature should consider separating the general special education certification either by age of student, level of disability, or a combination of the two, allowing teachers to have a more focused training and job scope.
- 3) The Legislature should encourage the State Board of Education to require training in special education for all certified teachers.
- 4) In order to raise the standard of all educator preparation programs, the Legislature should explore the effect of requiring all Texas educator preparation programs to get national accreditation and whether there are ways for the state to incentivize programs to acquire national accreditation.
- 5) The Legislature should invest more in professional development for teachers, especially in their first years in the classroom.
- 6) The Legislature should continue to find ways to increase the number of math, science, bilingual education, special education and computer science teachers across the state.
- 7) The Legislature should direct the TEA and the THECB to study successful educator preparation programs, such as UTeach, in order to share best practices among providers.

Appendix

The following are supplemental letters submitted by certain members of the Senate Higher Education Committee regarding the committee charges and recommendations to the 85th Legislature.



Senator Royce West
District 23
President Pro Tempore
2006



SENATE COMMITTEES:

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November 9, 2016

The Honorable Kel Seliger
Chairman
Senate Higher Education Committee
Sam Houston Building, Room 320
Austin, Texas 78701

Dear Chairman Seliger:

As a staunch advocate for accessibility and affordability in higher education, it has indeed been a privilege serving on the Senate Higher Education Committee with you. Your focused leadership has afforded me the opportunity to share my perspectives on the higher education issues we were charged with addressing, and for that I thank you.

Indeed, the report provides many positive and forward thinking recommendations that will undoubtedly improve higher education in Texas. But, I find it necessary to submit a letter outlining concerns that I have with the recommendations associated with the GAI and HRI Funding, authorization of community colleges offering baccalaureate degree programs, and teacher preparation programs.

Concerning Recommendation, page 54, #4, the last sentence of the last paragraph the following comment pertains ... Because of the recognition by the state of Texas of historic funding inequities to certain state supported institutions of higher education, like Prairie View A&M University and Texas Southern University, and the critical services provided to the citizens of this state largely because of the allocation of special item funding over several biennia, the sentence is written so vague and broad that it could be used to threaten and or eliminate this vital type of funding.

It has been stated that this recommendation is targeted towards habitual, "start-up" special item funding but that is not explicitly stated in the recommendation therefore, I'm concerned that special item funding stemming from federal or litigation discovery of funding disparities could be included, negatively impacted or eliminated. I believe this type of special item funding should never be placed in jeopardy.

As it relates to baccalaureate degrees at community colleges, I still believe that the Texas Higher Education system is efficient and at each level, the higher education component institutions serve different functions and target different student populations and outcomes as well as utilize different resources, facilities and faculty.

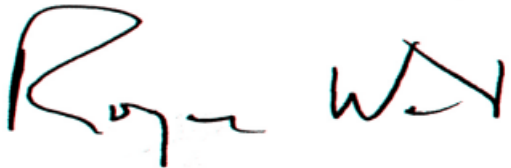
Any deviation from the current higher education structure that would allow one of the components, i.e., community colleges, to expand their mission must be lead with statistical and longitudinal analysis of critical workforce needs and not volatile employment trends. Any deviation also must be mindful of mission creep, program duplication, accreditation obstacles, higher costs and need for additional state funding, inability of 4-year colleges to provide graduates for the workforce need, lack of partnerships between 4-year institutions and community colleges to address the workforce need, additional faculty needs, impact to existing higher education institutions in the immediate area, impact to newly created universities in their attendance zone, and the infusion and availability of online education, to name a few.

In addressing the teacher preparation recommendations, effective workforce analysis must include data-based assessment of the quality and effectiveness of teachers entering the profession and retained, the flexibility to create critically needed teacher certifications (like PK-3) to provide focused training and job scope specifics, and a commitment to track, publicly report and regularly review data assessing the effectiveness of teachers from the nationally accredited programs versus non-nationally accredited programs (or versus the historical benchmark).

And lastly, any incremental investment should be focused on 1) piloting new programming which is accountable to specific results in educator effectiveness gains and/or 2) scaling proven effective programs with demonstrated educator effectiveness gains.

Thank you in advance for your consideration of my concerns and addition of this letter to your interim report. As always, I appreciate your leadership of the Senate Higher Education Committee and your dedication to higher education in Texas.

Sincerely,

A handwritten signature in black ink that reads "Royce West". The signature is written in a cursive style with a large, prominent "R" and "W".

Royce West
State Senator
District 23



SENATOR PAUL BETTENCOURT
DISTRICT 7

November 3, 2016

Kel Seliger, Chair of the Senate Committee on Higher Education
Larry Taylor, Chair of the Senate Committee on Education
Sam Houston Building
201 E 14th St
Austin, Texas 78701

Re: Interim report regarding dual credit programs

Dear Chair Seliger and Chair Taylor:

I commend the significant joint effort the Senate committees on Higher Education and Education spent on the issues set forth in their interim report and how dual credit programs have increased in Texas. As shown in the interim report, dual credit enrollment in Texas has increased significantly. A key factor contributing to the rise in the statewide enrollment average was the sizable increase of dual credit enrollment in Harris County due to the passage of SB 1004.

The Harris County community college system saw a 14% baseline dual credit enrollment increase by Spring 2016, twice the national average. Likewise, my office has received data from Lone Star College and national groups like Jobs for the Future and ACT, Inc. that shows tremendous success with the dual credit program and early college high schools in the state of Texas. The facts presented in these studies are proof positive that dual credit programs are having good results in Harris County.

A dual enrollment increase at Houston community colleges to more than 22,000 students from 19,517 in just one year is a telling fact of the demand for these programs across the greater Houston area. This is part of the exceptional growth documented in 2015 by the Texas Higher Education Coordinating Board in its dual credit update. All the data I've seen shows that increasing dual credit opportunities for families effectively appears to be a success.

Sincerely,

A handwritten signature in cursive script that reads "Paul Bettencourt".

Sen. Paul Bettencourt, Chairman of the Select Committee on Property Tax Reform and Relief

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KONNI BURTON
STATE SENATOR • DISTRICT 10

November 7, 2016

The Honorable Kel Seliger
Chair, Senate Committee on Higher Education
P.O. Box 12068
Austin, Texas 78711-2068

Dear Chairman Seliger,

Thank you for your service as Chairman of the Senate Committee on Higher Education. Your leadership has benefitted the State of Texas considerably, and it will continue to do so in the future. I wish to also send my appreciation to your committee staff who have worked tirelessly to facilitate our numerous hearings and assembled this excellent interim report which will greatly aid the Texas Legislature in tackling the difficult issues facing higher education in our state. I do, however, wish to express my thoughts, and in some cases, my concerns regarding several recommendations put forth.

First, recommendation three of charge one, reads “The Legislature should explore ways for the state to incentivize collaboration between school districts and higher education institutions to create P-16 pathways and crosswalks for students, to aid in navigating their endorsements and academic plans to better ensure successful completion”. It is certainly important to ensure programs offered at different stages of a student’s education are relevant and offer the most current curriculum to the student. However, I want to reiterate my opposition to more rigid “tracking systems” in which our students are guided toward certain outcomes. We must offer strong core subject education, as well as a variety of elective opportunities so the student can discover potential strengths and career ideas on their own.

Recommendation four of charge three, which reads “The Legislature should consider expanding the merit based graduation rebate program currently at the University of North Texas and model a similar statewide program,” is certainly worth exploring. However, I would like to make clear that any statewide program based on merit should be studied thoroughly before implementation and that the Legislature ensures the metrics/objectives used are representative of the investment the state is willing to make.

Recommendation two of charge four, reads “The Legislature should create a statewide advisory group to define and promote best practices for strengthening financial literacy education for college students”. I believe it is the chief responsibility of the student to enter into financial contracts best suited for their unique situation and that while well-intentioned, the state should not endeavor to create an advisory group for this purpose.

Next, recommendation three of charge four, reads “In the absence of the B-On-Time Loan Program, the Legislature should explore new ways to provide financial assistance to students who have financial need but are ineligible for current state aid, due to their estimated family contribution levels”. It is my belief that the state’s limited resources should be prioritized for the neediest students. While aspects of the B-On-Time Loan Program were exceptional, the focus of state aid should be on those who truly cannot afford to attend a state university.

Recommendation three of charge eight reads “The Legislature should encourage the State Board of Education to require training in special education for all certified teachers,” and recommendation five of charge eight also reads, “The Legislature should invest more in professional development for teachers, especially in their first years in the classroom”. Both of these issues are best left to the local school districts to address. Utilization of seasoned “master teachers” and effective coaching and team support by other professional staff and administrators has served and will continue to serve as the best approaches for remediation and career development in our schools. While I understand the desire for the state to take a more heavy-handed approach in these important matters, passing along new mandates, or spending more money, is not the answer.

Next, recommendation four of charge eight reads “In order to raise the standard of all educator preparation programs, the Legislature should explore the effect of requiring all Texas educator preparation programs to get national accreditation and whether there are ways for the state to incentivize programs to acquire national accreditation”. This is something I wholly oppose. If national accreditation is desirable for prospective employers than there will exist a natural market pressure for existing state teacher preparation programs to seek it out. If a state teacher preparation program finds value in what national accreditation brings them in terms of resources and marketing, then again, they will seek it out. The state should not intervene.

Recommendation six of charge eight reads “The Legislature should continue to appropriate funding for institutions to offset lost tuition and fee revenue as a result of the Hazlewood exemption”. This is extremely important and I could not agree more. I would simply like to state my strong support for reform of the Hazlewood program in a way that continues to honor our servicemen and women, but is financially sustainable for the state of Texas.

Finally, recommendation six of charge eight in the report reads “The Legislature should continue to find ways to increase the number of math, science, bilingual education, special education and computer science teachers across the state”. This concerns me greatly. While I understand the issue at the heart of this recommendation, I am extremely weary of attempts by the state to influence the career choices of Texans and the outcomes of our system of higher education. While well-meaning, these attempts to shape outcomes usually create unintended consequences after their implementation, such as possibly creating new shortages in other areas and/or a glut of applicants for a limited number of opportunities which may cause under- or unemployment of Texans with college degrees. When these potentialities arise, one of the prime solutions offered, most assuredly, will be more government interference, continuing a cycle of distortion in the public education job market. In my opinion, our best course of action is to ensure that state law does not prohibit our local districts from doing whatever they can to attract the teachers that they need. This will ensure that they have the flexibility for this current, and any future shortage, of desired applicants.

Despite these concerns, I wish to convey to you, the committee, and the citizens of Texas who have entrusted us with this duty, that I support the work represented in this report and look forward to working with you in the coming 85th legislative session to help tackle these and many other issues.

Sincerely,

A handwritten signature in black ink that reads "Konni Burton". The signature is written in a cursive, flowing style.

Konni Burton
State Senator
District 10