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PROMOTING COLLEGE SUCCESS

Expanding economic opportunity in Texas depends on our state's ability to increase the college graduation rate for the thousands of college freshmen arriving on campuses each year. The pending budget bills would hamper college access for thousands of Texans through severe cuts to successful financial aid programs, including TEXAS Grants (Towards Excellence Access and Success) and other grants for aspiring college students. Despite these cuts, several bills aim to promote college success through developmental education, performance-based funding, and more eligibility restrictions for TEXAS Grants. This policy page provides an overview of this pending legislation.

Higher Education in the Texas Budget

Financial Aid Cuts in the Budget

The House budget reduces funding for Texas' financial aid programs by 39 percent or \$404.2 million. Funding for TEXAS Grants, the state's primary need-based grant program, would be reduced by 41 percent or \$256 million and is projected to serve 60,500 fewer students during the 2012-13 biennium. These cuts eliminate funding for all incoming freshmen over the next two years. Contingency rider 43 would provide an additional \$50 million to the TEXAS grants program over the next biennium bringing total aid to \$416 million, 32 percent less compared to 2010-11.

Other programs slated for cuts include the Texas Equalization Grant (TEG) for students attending private institutions of higher education and the B-on-Time (BOT) program, which provides loan forgiveness for students who graduate within five years of enrollment. TEG would be reduced by 39 percent or \$61 million. BOT would be reduced by 41 percent or \$87 million. HB1 passed the house (98-49) on April 3.

The Senate Finance Committee's proposed budget cuts financial aid programs by 15 percent or \$150.4 million. Under the Senate version, the TEG program would be cut by 20.3 percent or \$42.9 million, while the BOT program would be reduced by 29 percent or \$45.2 million. The Senate proposal provides \$560 million to the TEXAS grants program, restoring funds for renewal students. The additional funds also would serve an additional 40,000 students compared to the House version. Overall, the Senate would cut funding for the TEXAS grants program by 10 percent compared to 2010-11 levels. The Senate also provides an additional \$50 million to the program through rider 54.

Developmental Education Demonstration Projects

In 2009, the Legislature created campus-based developmental education demonstration projects through Budget Rider 50, which required the Texas Higher Education Coordinating Board (THECB) to create pilot programs to improve outcomes for students underprepared for college-level coursework. The coordinating board awarded two-year grants to five community colleges to reform their developmental education programs by identifying best practices for course delivery, assessment and placement policies for incoming students, and new methods for preparing faculty to meet the needs of underprepared students. The House budget eliminates funding of these demonstration projects for the next biennium, but provides a contingency rider for up to \$2.5 million if there are any unused funds from the B-On-Time loan program. The Senate budget provides \$5.3

million for the continuation of the demonstration projects. Texas should continue its investment to investigate and identify effective practices in developmental education through these pilot programs.

Non-Course-Based Developmental Education

Both the House and the Senate preserve funding for the coordinating board to study the fiscal impact and effectiveness in improving student performance through non-course-based developmental education, which includes important student supports such as academic advising, tutoring, and individualized degree plans for students needing remedial coursework. Non-course-based developmental education activities increase the likelihood that a student will advance to college-level coursework more quickly.

Promoting Student Success through Smart Course Design and Holistic Student Assessments

Several bills have been proposed to address specific reforms to developmental education programs in Texas.

HB 1244 and SB 1564 Set New Standards for Developmental Education Assessment and Delivery

HB 1244 and CSSB 1564 set new standards for student assessments at institutions of higher education and mandate the implementation of research-based practices in the delivery of developmental education.

- Mandates the coordinating board to set statewide assessment standards.
- Requires institutions to incorporate the appropriate use of technology into developmental education courses.
- Requires institutions to institute research-based best practices that include student assessments and placement, faculty development, support services, pairing developmental education courses with credit-bearing coursework, and program evaluation.

SB 162 and HB 2625 Support Statewide Developmental Education Plan

SB 162 and HB 2625 codify the Developmental Education Pilot projects and reform the developmental education system through several components, including:

- Incorporating diagnostic assessments to determine a student's specific needs;
- End-of-course assessments to determine a student's college readiness; and
- Ongoing training and development for developmental education faculty.

Outcomes-Based Funding For Institutions of Higher Education

HB 9 Links Higher Education Funding to Student Success

HB 9 would move the state away from funding institutions of higher education solely on the basis of enrollment to a system based in part on student outcomes, including the number of degrees and certificates awarded. The bill charges the coordinating board with making formula funding recommendations to align student performance with *Closing the Gaps by 2015*, Texas' master higher education plan. HB 9 also requires the coordinating board to work directly with institutions in determining funding recommendations.

University funding would be determined by:

- Total number of degrees awarded;
- Total number of degrees awarded in critical fields such as the math and sciences
- Total number of degrees awarded to at risk-students; and
- The predicted six-year graduation rate based on the institution's student cohort.

Community and Technical College funding would be determined by student milestones known as “Momentum Point:”

- Students successfully completing developmental education coursework, their first college-level course, and 30 semester credit hours;
- Total number of transfers to four-year institutions; and
- Total number of associate’s degrees, bachelor’s degrees (for transfers), and certain postsecondary certificates as determined by the coordinating board.

In addition to HB 9, the Texas Legislature should consider measures to provide monetary incentives to institutions for meeting their desired performance above base funding.

TEXAS Grants Priority Model

SB 28 and HB 10 Add Additional Merit-Criteria to the TEXAS Grants Need-Based Grant Program

Senate Bill (SB) 28 and House Bill (HB) 10 would require four-year institutions to prioritize TEXAS grant awards based on additional merit criteria, thereby reducing the number of eligible applicants. Under the current program, students with an expected family contribution of \$4,000— an average family income of \$40,000 or less—and who complete the recommended high school program are eligible, even though current funding does not cover all eligible students under the current guidelines.

To be prioritized for a grant, a student must meet the previous threshold, plus two of the following four criteria:

- Graduation in the top one-third of the student’s high school class or a “B” average-equivalent (3.0 on a 4.0 scale);
- Graduation under the advanced academic programs, dual credit or advanced placement courses; or Distinguished Achievement Program; or international baccalaureate diplomas;
- Achievement of the Texas Success Initiative (TSI) standards for college readiness for one of the approved assessments such as the COMPASS or SAT; and
- Completion of an advanced math course after the successful completion of Algebra II.

TEXAS grant funding allocations to institutions would not change under the priority model. Institutional funding is determined by the proportion of low-income (\$4,000 expected family contribution) student enrollments during the preceding year. Institutions of higher education would be required to implement the new priority criteria in 2013.

SB 28 was amended on the Senate floor to ensure that additional priority would go towards students with the lowest expected family contribution.

SB 28 was amended on the House floor to provide an “on-ramp” for students who do not receive a TEXAS grant due to budget cuts to be eligible to receive an award once funding becomes available, and to require the coordinating board to track and study the impact of the priority model on Texas college students. SB 28 is awaiting final passage in the House.

Conclusion

The proposed cuts to need-based grant programs in the House budget would cut off tens of thousands of Texans from receiving assistance for college. The Texas Legislature should work to preserve funding for state need-based financial aid programs and put more aspiring college students on a path to a degree. Texas also should continue on its commitment to promote college success through improvements to the delivery of developmental education and by incentivizing institutions to implement best practices through outcomes-based funding.