



PROPOSED STATE BUDGET DENIES 96,000 ASPIRING TEXAS STUDENTS FINANCIAL AID

The proposed state budget in Senate Bill 1 cuts Texas' college financial aid grant programs by 39 percent, reducing the state's investment in postsecondary grant aid by \$385 million.¹ Even at current funding levels, Texas's grant programs only reach about half of eligible students. Funding cuts for state grant programs will further shift costs to hard working students and families and will serve as a barrier to college access and success in Texas. By shifting costs to students and families, the state risks losing ground on its goals to increase the number of college graduates, thereby reducing the state's ability to compete for future jobs that will require increased amounts of training and education. Furthermore, with fewer state resources to help students pay for college tuition, student dependence on loans will likely increase. Those that choose to attend college will likely shoulder higher debt loads, further eroding college success.

Texas Financial Aid Programs

Texas students receive financial aid from federal, state, and private sources in the form of grants, loans, and work study programs. State grant programs enable thousands of aspiring college students to attend college each year. With fewer students receiving grant aid, Texas will be hard pressed to achieve the state's *Closing the Gaps* goals of increasing the number of college degrees by 50 percent or 210,000 degrees by 2015.²

TEXAS Grants

The TEXAS [Towards EXcellence, Access, and Success] Grants are currently available for both first-time students at Texas public colleges and students with associate degrees transferring to four-year Texas public colleges. The Higher Education Coordinating Board administers the grants to needy students (Expected Family Contribution [EFC] of \$4,000 or less) who complete the Recommended High School Program.³ The program has helped over 250,000 students since it began, but constant funding challenges mean that not all eligible applicants have received a grant.⁴ Even with a 43.5 percent increase in the TEXAS Grants program during the 2010-11 biennium, the program still only reached an estimated 60 percent of all eligible students.⁵ With the proposed \$366 million in funding, the program awards would be cut by 57.2 percent or 78,080 grant awards, cutting in half the number of students served to 50,945 students during the 2012-13 biennium.⁶ The THECB requested \$172 million in exceptional item funding to serve 32,000 new students through the TEXAS Grants during the 2012-13 biennium.

Texas Educational Opportunity Grant

The Texas Educational Opportunity Grant serves community and technical college students with priority given to those with the greatest need. SB 1 provides funding for 3,559 students, a decrease of 8,591 students served during the 2012-13 biennium. Despite these decreases, even if funding is preserved at current levels, the TEOG fails to meet the needs of community college students as current funding covers fewer than 5 percent of all eligible students. The THECB requested \$10 million for over 2,600 new Texas Educational Opportunity Grants (TEOG) during the 2012-13 biennium.

Texas B-On-Time Loan Program

The Texas B-On-Time program provides loan forgiveness for students who graduate within five years and maintain a minimum of a B average. Since the program began in 2004, 32 percent of student participants have met the requirements for loan forgiveness.⁷ Texas B-On-Time will be reduced by 42 percent or more than 5,500 grant recipients.

Tuition Equalization Grant

The Tuition Equalization Grant program provides grants to students at private, non-profit colleges. The program enables needy college students to attend private colleges and universities with grant funding to cover a portion of the cost, equal to half the per-student appropriation at public universities.⁸ The proposed budget would cut the program by more than 22,000 students.

Texas College Work Study

The Texas College Work Study program enables students to work towards paying for their tuition while in college. The program pays 70 percent of a student's salary for students working in the non-profit sector and 50 percent in the for-profit sector. SB 1 proposes to cut the work study program by 41 percent.⁹ The THECB requested \$15 million for 6,000 new College Work Study placements for the 2012-13 biennium.

Top 10%

Also slated for cuts, the Top 10% scholarship program provides grants of \$2,000 for needy students who graduated in the top 10 percent of their high school class. The program would be cut by more than 84 percent a reduction of nearly 19,000 students served in the next biennium. The THECB requested \$18 million for 4,360 (by 2013) Top 10 Percent Scholarships.

Texas College Grant Programs On the Chopping Block

Under SB 1, the state's primary need-based grant program, TEXAS Grants, would be cut by 41 percent, resulting in 60,478 fewer students receiving aid, which would include a full reduction in funding for first-time college students.¹⁰ The Texas Education Opportunity Grant program (TEOG)—the primary grant program for community college students—would be reduced by 71 percent.

Texas Financial Aid Program Budget Cuts Would Result in Thousands of Fewer Students Served								
	Students Served				Grant Awards			
	2010-11 (current)	2012-13 (SB 1)	Change in # of Recipients	Percent Change	2010-11	2012-13	Change in # Awards	Percent Change
TEXAS Grants	111,423	50,945	-60,478	-54.3%	156,225	78,080	-78,145	-50.0%
TEOG	12,150	3,559	-8,591	-70.7%	14,967	4,081	-10,886	-72.7%
Texas-B-On-Time	13,100	7,560	-5,540	-42.3%	17,000	13,230	-3,770	-22.2%
TEG	53,050	30,770	-22,280	-42.0%	53,050	30,770	-22,280	-42.0%
Total	189,723	92,834	-96,889	-51.1%	241,242	126,161	-115,081	-47.7%
Source	CPPP Analysis, Texas Higher Education Coordinating Board							
Note	The THECB has not estimated the number of students impacted in the College Work Study Program and is therefore not included in this analysis.							

Texas College Students Heavily Dependent on Loans

Even with current funding for financial aid reaching about half of eligible students, Texas college students are largely dependent on loans. Basic needy students who are primarily from low-income households (income of \$60,000 or less) received \$1.979 billion in loans in 2009, representing 49 percent of their financial aid package, while primarily moderate-income students (income over \$60,000) using aid partly to replace their family contribution accessed \$1.765 billion in loans, making up 75 percent of their total financial aid package.¹¹ Overall, 58 percent of total financial aid in Texas comes from loans compared to 53 percent nationally. Dependence on college loans is likely to increase as state need-based programs are set for major cuts during the next biennium.

Texans Need More Education, Not Less

Each year, Texas's financial aid programs enable thousands of Texans to attend college and develop the necessary skills to compete for good jobs. By making college accessible to all Texans, including those with financial need, Texas can further strengthen its economic base by ensuring a more skilled and educated workforce. As future jobs will demand higher levels of education and training, Texas must invest more in grant aid to ensure that more needy students have access to a college education.

Currently, Texas ranks 40th nationwide in the percentage of its adult residents who have postsecondary training, with only one-third of Texans aged 25-54 with an associate's degree or higher.¹² The deficit in degree attainment is alarming because by 2018 an estimated 56 percent of jobs in Texas will require a college degree or credential, making access to higher education a priority for the state.¹³ Furthermore, projections of degree attainment of our workforce indicate that by 2040, only 17.3 percent will hold a bachelor's degree or higher, a decrease of 26 percent from 2000.¹⁴

*The Center for Public Policy Priorities (CPPP) is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. CPPP works for a **BETTER TEXAS**™.*

ENDNOTES

- ¹ Texas Higher Education Coordinating Board, “Major Student Financial Aid Programs, Overview of impact of HB1/SB1 funding level,” Note: These cuts represent declines in awards and students served for the following programs: TEXAS Grants, Texas Educational Opportunity Grant, B-On-Time, Top 10% and the Texas Equalization Grant program. Funding for financial aid programs in House Bill 1 and Senate Bill 1 are identical.
- ² Texas Higher Education Coordinating Board (THECB), “Accelerated Plan for Closing The Gaps by 2015,” April 29, 2010, <http://www.thecb.state.tx.us/reports/PDF/2005.PDF?CFID=8657739&CFTOKEN=59430240>.
- ³ The Texas Higher Education Coordinating Board allocates TEXAS grant funds to institutions based on the prior year’s enrollment of students who have financial need, (Expected Family Contribution [EFC] less than or equal to \$4,000).
- ⁴ Texas Higher Education Coordinating Board, *Overview: Texas Grant*, January 2010; Numbers refer to TEXAS Grant recipients through Fiscal Year 2008.
- ⁵ Texas Higher Education Coordinating Board, *Overview: Financial Aid in Texas*, April 2010; Texas Higher Education Coordinating Board, *Overview: Texas Grant*, January 2010; and THECB, “Recommendations to the 82nd Texas Legislature: Major Initiatives, September 2010.
- ⁶ Texas Higher Education Coordinating Board,
- ⁷ THECB, “2012-13 Legislative Appropriations Request: Description of Strategies, Reduction Options and Exceptional Item Requests,” August 23, 2010.
- ⁸ THECB, “2012-13 Legislative Appropriations Request: Description of Strategies, Reduction Options and Exceptional Item Requests,” August 23, 2010.
- ⁹ Note: The THECB has not estimated the impact on number of students served. The College Work Study program and the Texas Equalization Grant programs do not currently have renewal provisions. renewal provisions.
- ¹⁰ CPPP Analysis, Legislative Budget Board, Summary of 2012-13 Legislative Budget Estimate – House, pp. 109.
- ¹¹ THECB, “Report on Student Financial Aid in Texas Higher Education for Fiscal Year 2009, June 2010.
- ¹² WFPF 50 State Data 2010 Chapter 3
- ¹³ Carnevale, Anthony P., Nicole Smith, and Jeff Strohl, *Help Wanted: Projects of Jobs and Education Requirements Through 2018*, Georgetown University Center on Education and the Workforce, June 2010, p. 97.
- ¹⁴ Office of the State Demographer, Texas Demographic Characteristics and Trends 10/29/2010.