

March 22, 2012

Ken Levine
Director
Sunset Advisory Commission
PO Box 13066
Austin, TX 78711

Via e-mail: sunset@sunset.state.tx.us

RE: Texas Higher Education Coordinating Board Sunset Commission Staff Report

Dear Mr. Levine:

The undersigned organizations appreciate the work of the Sunset Commission staff and welcome the opportunity to provide comments on the review of the Texas Higher Education Coordinating Board (Coordinating Board). Staff recommendations to increase both transparency and stakeholder engagement in the Coordinating Board's decision-making process are a step in the right direction toward improving the quality and accessibility of higher education in the state. Further steps to improve the delivery of financial aid, especially noted changes in the B-On-Time loan program also are critical to improving higher education access and success in Texas. We respectfully submit our comments on the Sunset Commission staff recommendations and offer additional proposals to strengthen our state's higher education system.

The **Center for Public Policy Priorities** (CPPP) is a nonpartisan, nonprofit 501 (c)(3) policy institute established in 1985 and committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.

The center is joined in these comments by: College Forward, La Fe Policy Research, and Education Center, the Texas NAACP, and RAISE Texas.

College Forward is a 501 (c) (3) non-profit organization providing college access and college persistence services to motivated, economically disadvantaged students, in order to facilitate their transition to college and make the process exciting and rewarding. College Forward serves aspiring college students in Austin and Houston.

The **La Fe Policy Research and Education Center** works to continually to improve the Bienestar (well-being) of Mexican Americans through policy analysis, education, leadership development, and civic involvement. Bienestar affirms our culture, community experience, values, and advocacy to achieve equality of opportunity through responsive social and health policies.

The **Texas NAACP** is a 501 (c) 3 non-profit, non-partisan organization who's mission is to ensure the political, educational, social, and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination. We are the Nation's largest and oldest civil rights organization.

RAISE Texas is a statewide network of non-profit organizations, for-profit corporations, and public institutions working to support and expand asset-building activities in Texas, with particular focus on low- and moderate-income areas. Our mission is to advance policies and programs that foster financial success and economic stability for all Texans.

Issue 1: The Governing Board's Limited Stakeholder Input and Experience Hinder Its Ability to Coordinate Texas' Higher Education Community.

We strongly agree with all staff recommendations under issue 1. These recommendations ensure that all education stakeholders are allowed the opportunity to provide input and guide the decision-making process in a more public and transparent way.

Recommendation 1.3.: Require the Coordinating Board to adopt rules for its use of advisory committees, ensuring the committees meet standard structure and operating criteria, and report recommendations directly to the board.

We strongly agree with requiring the Coordinating Board to increase stakeholder input through the structure and operation of its advisory committees.

We further recommend that the Coordinating Board be required to demonstrate that they have implemented and followed a diversity inclusion plan to ensure maximum participation among stakeholders that represent economically disadvantaged students. This requirement will ensure the Coordinating Board receives the necessary input and counsel to effectively pursue policies that promote college access and success for low-income students and students of color.

Recommendation 1.4: Require the Coordinating Board to strengthen its internal controls for allocating financial aid funding and ensure stakeholder input by adopting allocation methodologies is rule.

The recommendation to strengthen internal controls for allocating financial aid to institutions is critical to ensure both accuracy and timeliness in awarding state grants and loans. However, we recommend additional action by the Sunset Commission to ensure that institutions receive financial aid funds in a timely manner.

Background: State Budgetary Delays

In Texas, the timetable for appropriating financial aid awards through the state budget is not aligned with the federal guidelines and timetables for postsecondary financial aid awards. Due to national standards, prospective freshmen must pay a non-refundable enrollment deposit by May 1 to the institution where they have been admitted and plan to enroll. Because of this timeframe, Texas institutions begin notifying students of financial aid offers in March. Unfortunately, in Texas, institutions cannot guarantee state financial aid awards until the state legislature passes a budget, which usually takes place well after May. Therefore, it is difficult for students to determine whether or not they can afford a particular college. Too little grant aid in a financial aid award package could impact a student's college choice, whether they take out additional loans, or whether they forgo enrollment altogether. Without forward funding financial aid programs at least one year in advance of a biennium, institutions and students will continue to experience delays in financial aid awards, thereby jeopardizing college enrollment decisions.

Additional Recommendation: Forward fund state financial aid programs. In 2013, the Legislature should begin forward funding state financial aid programs to ensure that the Coordinating Board has sufficient time to allocate

funds to institutions. To make this transition, the 83rd Legislature would need to fund state financial aid awards for 2013-14, 2014-15, and for 2015-16, with funds being committed by August 31, 2015. Thereafter, the Legislature would only need to fund the last year of the biennium and the first year of the following biennium, with funds committed prior to August 3 for the second year of funding.

Issue 2: Outdated and Unnecessary Statutory Provisions Divert the Agency's Focus From Its Core Functions as a Higher Education Coordinating Entity.

Recommendation 2.2: Redefine long-range planning for higher education in statute.

We agree with the recommendation to require the Coordinating Board to develop a long-range plan for higher education in statute. We support the Sunset staff recommendations for the Coordinating Board to adopt long-term measurable goals, an assessment of higher education needs by region, a regular update to the plan, and to obtain input from education stakeholders and the general public.

The Coordinating Board also should be directed to include key goals related to financial aid and financial preparation for college. With a growing number of low-income children in Texas, future aspiring college students will not have the resources to pay for college and successfully complete their degree or credential in a timely manner.

The Coordinating Board should include the following components in their long-range plan as a higher education coordinating entity:

- Track progress on *Closing the Gaps* by a student's income level;
- Have a more developed and defined plan for educating prospective college students on how to plan and pay for college beginning in elementary and middle school, including strategic partnerships with college-access organizations;
- Ensure that financial aid programs promote both college access and school choice; and
- Ensure that financial aid programs serve non-traditional student needs.

These strategies and goals, if adopted and implemented, would provide a more flexible and predictable financial aid system in Texas and would ensure that prospective students have the tools they need to plan and prepare for college.

Recommendation 2.7: Provide for the Coordinating Board to administer pilot projects to identify best practices only in circumstances where other entities cannot or will not administer the programs.

We agree with the recommendation to require the Coordinating Board to shift its role in running and overseeing pilot programs in the state. Funds to identify best practices should be directed to non-profit programs already conducting similar initiatives.

The Board should adopt a goal to improve relationships and increase collaboration and partnerships with community-based organization engaged in work with prospective traditional and non-traditional, low-income college students.

In reviewing the College Access Challenge Grant solicitation statement from the initial grant narrative, the Board did not make any reference to communicating directly with outside entities about the Request for Proposals (RFP). While the report stated that it would be posted on the appropriate websites, and announced at their quarterly board

meetings, the agency should expand the RFP process to directly include community-based groups. The Board's partnerships and collaborations should be far reaching across all geographic regions of the state and among service providers that have demonstrated effective relationships with prospective college students, especially low-income students.

Issue 3: The Coordinating Board's Overarching Focus on *Closing the Gaps* Impedes the Agency's Strategic Management of Its Own Operations.

Recommendation 3.4: Direct the Coordinating Board to redesign its websites to better meet the needs of its stakeholders and ensure centralized control over the sites' content and organization.

We agree with the recommendation directing the Coordinating Board to redesign their website. While the Board provides good data on their website, the organization of the data can be more user friendly. The site should also provide data by subject and include more raw data. The Board does a good job of synthesizing data into fact sheets and annual reports; however, it is important to have raw data available to the public in Excel documents and other formats that allow for better public use and understanding.

In addition, the website should provide FAFSA data, including the enrollment status and income level (or expected family contribution) of each applicant. The Department of Education recently released campus-based FAFSA filings which provide basic information about how many students are applying for financial aid. However, additional data is needed to understand the enrollment patterns of FAFSA filers by geographical location and income-level.

Issue 4: Texas B-On-Time Loan Program Is Not Working as Intended, Leaving Millions of Financial Aid Dollars Unspent or At Risk From Default.

We welcome the attention given to the B-On-Time (BOT) Loan program. We believe that with the appropriate oversight of the program, BOT has great potential to incentivize college completion and improve Texas' overall graduation rate. While the graduation rate of BOT recipients can be improved, in fiscal year 2010, the loan program had the highest four- (43.5 percent) and six-year (64.1 percent) graduation rates compared to all other financial aid programs. The four- and six-year graduation rates for students who received aid, but no BOT loan, were 20.3 percent, and 49.1 percent, respectively.

Recommendation 4.1: Lengthen the yearly and credit hour graduation requirements for B-On-Time loan forgiveness.

Extending the yearly and credit hour graduation requirements for loan forgiveness would allow students more flexibility should they need to maintain a job during school, or if they are unable to fulfill their degree requirements due to lack of specific course offerings needed for their degree plan.

Recommendation 4.2: Require the Coordinating Board to set minimum credit standard requirements to obtain a loan through the B-On-Time program.

We believe that setting a minimum credit standard or alternately, requiring a co-signer with good credit standing before approving the student for the loan program would create additional obstacles for low-income students to access this low-cost loan option. Instead, the Coordinating Board should conduct or collaborate with other entities to provide BOT loan counseling and default prevention strategies modeled after similar programs used in federal loan programs.

Recommendation 4.3: Remove all two-year institutions from participation in the B-On-Time loan program and transfer the funding for public two-year institutions to a program better suited to those institutions' needs.

Recommendation 4.4: Change in Appropriations: The Sunset Commission should recommend that the Legislature transfer B-On-Time funding for public two-year institutions to the Texas Educational Opportunity Grant program.

We agree with recommendations 4.3 and 4.4 to remove two-year public institutions from the BOT program and transfer funds to the Texas Educational Opportunity Grant Program (TEOG). As many Texas community college students carry additional family and work responsibilities, the BOT program does not provide a viable option for them to achieve loan forgiveness. The TEOG provides a more flexible option for students needing to work during school. But with low investments in the program, the TEOG currently serves less than 5 percent of all eligible low-income community college students. Transferring the BOT funds to the TEOG program will provide more community college students with the additional support needed to cover tuition, fees, books, and living expenses.

Recommendation 4.5: Require the Coordinating Board to include information about the B-On-Time program's progress in its annual financial aid report.

We agree with requiring the Coordinating Board to report on key performance measures of the BOT loan program, including:

- expenditures in the program;
- number of unique borrowers with a breakdown of new and renewal students;
- income level or expected family contribution of borrowers;
- number of students achieving loan forgiveness; and
- number of students in default.

Recommendation 4.6: Direct the Coordinating Board to work with institutions to promote B-On-Time as a loan program, instead of a grant and emphasize opportunities for loan forgiveness.

While we agree that the Coordinating Board should do more to promote the BOT program as a loan, it should do so in collaboration with college-access and other community-based organizations. Due to federal regulation, 34 CFR 601, institutions are required to fulfill a set of "preferred lender arrangements" to be able to promote and package non-federal loans, including state loans. Until these regulations are amended to provide an exception for state loan programs from preferred lender arrangements, institutions cannot market and package these loans. Instead, the Coordinating Board should make efforts to boost their partnerships with college-access organizations already engaged in college preparation activities with students and parents and use these avenues to better promote BOT loans.

CPPP urges the Sunset Commission to direct the Coordinating Board to adopt strategies to ensure that the BOT loan program is an efficient and successful program.

The Coordinating Board should work with college-access, and other community-based organizations to achieve the following:

- Educate students on how the loan program works to achieve loan forgiveness;
- Ensure that students understand their responsibilities for loan repayment;

- Ensure that students receive information and understand default prevention strategies should they be required to pay back the loan; and
- Provide loan repayment and default prevention counseling modeled after similar federal programs.

4.7 Direct the Coordinating Board to seek revision to federal regulations for alternative loans to exclude restrictions on state-sponsored loan programs.

We agree that the Coordinating Board should seek revisions to provide an exception for state loan programs in preferred lender arrangements.

Issue 5. The Coordinating Board's Limited Monitoring of Funding and Data Fails to Ensure Their Appropriate Use and Accuracy.

Recommendation 5.1: Require the Coordinating Board to establish a risk-based, agency-wide compliance monitoring function to help ensure the proper use of its funding and the accuracy of its data.

Requiring the Coordinating Board to improve their monitoring and data reporting of financial aid programs is essential to ensuring that state financial aid funds are distributed accurately to eligible students and institutions. CPPP supports stronger controls for both distributing financial aid funds and ensuring that funding and enrollment data is accurate and up to date.

Issue 6. Texas Has a Continuing Need for the Higher Education Coordinating Board.

We agree with the recommendation to continue the functions of the Higher Education Coordinating Board for 12 years.

Thank you for consideration of these comments and recommendations. If you have any questions regarding these recommendations, please contact Leslie Helmcamp, policy analyst with the Center for Public Policy Priorities at Helmcamp@cphp.org.

Sincerely,

Center for Public Policy Priorities
College Forward
La Fe Policy Research and Education Center
Texas NAACP
RAISE Texas