

# Texas' Investment in Higher Education Lags Behind Student Needs and Workforce Demands

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**J**ust as postsecondary education has expanded opportunities for good jobs and entry into the middle class, college costs are rising beyond the reach of many Americans. State policy decisions are largely responsible for this major cost shift onto students and families. Public investment in higher education has decreased considerably over the past twenty years, and financial aid programs fail to reach all students with financial need. Students and their families must now pay—or borrow—much more than they or Texas can afford.

## **THE GREAT COST SHIFT: HOW HIGHER EDUCATION CUTS UNDERMINE THE FUTURE MIDDLE CLASS.**

A new report by the national policy center Dēmos, examines how state disinvestment in public higher education over the past two decades has shifted costs to students and their families. The report outlines how such disinvestment cuts against rapidly rising enrollments, and demographic shifts that promise more economically, racially, and ethnically diverse student bodies. This fact sheet, produced jointly with the Center for Public Policy Priorities, highlights Texas' funding for higher education trends over the last twenty years.

## **HIGHER EDUCATION IN TEXAS: AT A TURNING POINT**

Texas funding for higher education has not kept pace with rapidly rising student enrollments. Coupled with the deregulation of tuition at public four-year colleges in 2003, this trend has led to dramatic increases in tuition and fees. Texas is no longer an affordable-tuition state, especially at

four-year public institutions. Residents must pay considerably more for an education today than they did twenty years ago.

The rising cost of higher education is forcing many students into debt, part-time enrollment, and long work hours, depressing graduation rates. And some Texans forgo higher education altogether because of the high cost, thereby missing out on career opportunities that require a postsecondary degree or certificate.

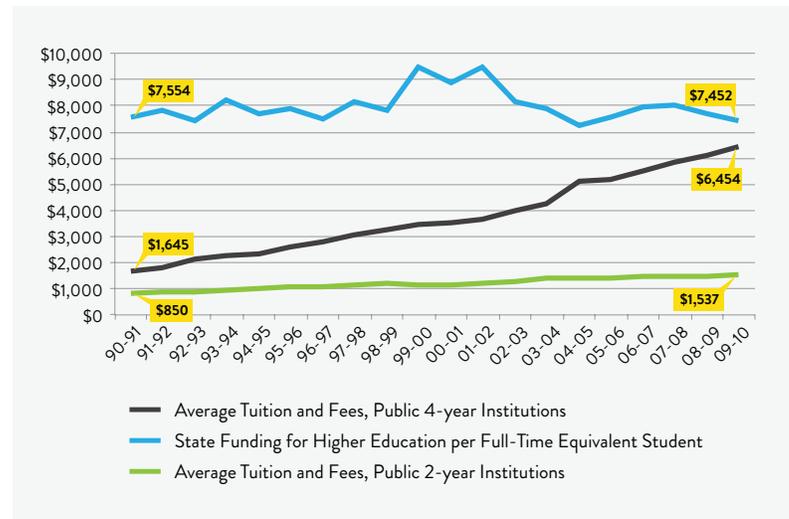
If Texas does not improve its postsecondary degree and certificate completion rate, the state will be unable to meet future labor market demands. While 56 percent of all jobs in Texas will require postsecondary education by 2018,<sup>1</sup> the state is on track to produce far fewer degree holders. By 2025, only 38 percent of Texans are projected to hold a two-year degree or higher,<sup>2</sup> leaving the state with a significant skills gap. Fortunately, Texas can reverse this pattern by taking advantage of our

financial and natural resources to invest in the current and future generations of Texans aspiring for the American Dream through postsecondary education and training.

**TEXAS FUNDING FOR HIGHER EDUCATION NOT KEEPING PACE WITH STUDENT NEEDS**

Texas funding per full-time equivalent student has stagnated at 1990 levels. The 2012-13 higher education cuts will further lower per-student funding levels in upcoming years. (see below)

TEXAS HIGHER EDUCATION FUNDING AND TUITION COSTS, 1990-2010



Texas higher education funding per FTE student has dropped 21.4 percent since its peak in 2001-02 (\$7,452 per FTE student in 2009-2010, \$9,487 in 2001-2002).

**SHIFTING COSTS TO STUDENTS AND FAMILIES**

Declining state financial support for Texas’ public colleges and universities has translated into substantially higher tuition and fees.<sup>3</sup> As a result, Texas students and their families have been paying out of pocket to make up for the shortfall. For the 2012-13 budget, the Legislature reduced total student financial aid funding (grant and non-grant) by 15 percent, falling from \$1 billion to \$879 million.<sup>4</sup>

- Rising college costs and nearly stagnant median earnings<sup>5</sup> have triggered a steep rise in student borrowing and greater debt loads over the past decade. Over half (55 percent) of students graduating from public four-year colleges in Texas in 2010 left with debt, which averaged \$19,376.<sup>6</sup> In 2001, 43 percent of public four-year Texas graduates left with student loans, which averaged \$14,230.
- Since 1990, tuition and fees at public four-year institutions in Texas have increased by 286 percent, while costs at Texas public two-year institutions have increased by 89 percent.<sup>7</sup>

These increases are considerably higher than the national averages, which were 113 percent and 71 percent over the same period, respectively.<sup>8</sup>

- College affordability has declined in recent years for many middle class Texas students and families. Tuition, fees, room and board at public four-year Texas institutions amounted to 15 percent of median household income in 1990-1991; by 2009-2010 this share had reached 29 percent.
- Although Texas has increased funding for state financial aid programs 830 percent over the past two decades, the state still lags behind the nation in grant-based financial aid.<sup>9</sup> Average state grants amounted to \$518 per FTE in 2009-2010, as compared to \$764 nationally.<sup>10</sup>
- Investments in TEXAS Grants—the state’s major need-based grant program—have helped counter the increases in tuition and fees but recent cuts to this program have reduced the number of eligible students receiving the grant. The 82nd Legislature cut funding for TEXAS Grants by \$62.4 million or 10 percent for the 2012 and 2013 academic years, reducing access to 30 percent of new eligible college freshmen at two- and four-year institutions, down from 70 percent in 2010 and 2011.<sup>11</sup>

## WHAT NEEDS TO HAPPEN?

Texas can do more to ensure that aspiring college students acquire the necessary skills to create jobs and thrive in the 21st century economy. Without a renewed commitment to student financial support and funding for higher education, Texas may not achieve its own benchmarks for postsecondary access and success. To achieve these worthy goals, Texas must make a commitment to the following:

- Ensure that performance-based funding incentivizes public institutions for important student milestones, including:
  - » Successful completion of developmental education for those needing remedial education;
  - » Successful completion of the first college-level course;
  - » Successful completion of the first 30 credit hours;
  - » Degree or certificate attainment; and
  - » Transfer and graduation of students at two-year institutions seeking a four-year degree.
- Commit to reducing student loan dependence by increasing investments in need-based grant aid, improving college financial preparation through financial education and FAFSA completion, and promoting matched savings accounts for low- and moderate-income Texans.
- Increase funding for public institutions, particularly those serving students who face the greatest financial and academic barriers to completion. ■

## SOURCE OF FINANCIAL DATA:

The Grapevine data set is the source of most of the budget data used in this factsheet. Grapevine series is collected by the Center for the Study of Education Policy at Illinois State University. Since 1961, the series has attempted to collect financial information related to higher education from states in a uniform way.

The central concept captured in the Grapevine series and in this report is “state support” or “state effort,” which reflects annual appropriations for the operating expenses of universities, colleges, community colleges, higher education agencies, state financial aid programs, and independent institutions of higher learning. Excluded are appropriations for capital projects, debt service, and revenues from federal aid, fees, and auxiliary enterprises. The idea is to get at the funds dedicated for the operation of direct educational programs.

## ABOUT DĒMOS

Dēmos is a non-partisan public policy research and advocacy organization founded in 2000. Headquartered in New York City, Dēmos works with policymakers around the country in pursuit of four overarching goals—a more equitable economy with widely shared prosperity and opportunity; a vibrant and inclusive democracy with high levels of voting and civic engagement; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world.

## ABOUT CPPP

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

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## ENDNOTES

1. The Georgetown University Center on Education and the Workforce, “Help Wanted: Projections of Jobs and Education Requirements Through 2018: Texas” 2010. <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/texas.pdf>
2. The Lumina Foundation, “A Stronger Nation Through Higher Education” Texas. <http://www.luminafoundation.org/state/texas/>
3. In 2003 the Texas Legislature passed tuition deregulation which allowed public colleges and universities to set their own tuition rates.
4. Texas Higher Education Coordinating Board. 2011. “Summary of Higher Education Legislation: 82nd Texas Legislature.” p. 5; and Eva DeLuna Castro, Center for Public Policy Priorities, “Undermining the Texas Economy: The 2012-13 Texas State Budget,” December 2011.
5. Texas median income in 2010 dollars in 1990 was \$45,650. In 2010, it was \$47,464, or 4 percent higher.
6. The Project on Student Debt, College Insight. Nationally, 56 percent of 2010 college graduates from public institutions had student debt of an average amount of \$21,740.
7. U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS), “Institutional Characteristics” surveys; and Integrated Postsecondary Education Data System (IPEDS), “Fall Enrollment” and “Institutional Characteristics” surveys. Digest of Educational Statistics, various years.
8. Nationally, tuition and fees in 2009-2010 were slightly higher than in Texas (\$6,695). Despite the large increases in tuition and fees, community colleges in Texas are relative lower than the rest of the nation (\$2,285).
9. National Association of State Student Grant and Aid Programs, Annual Survey Report on State-Sponsored Student Financial Aid (various years). Total financial aid grants in Texas increased from \$41 million in 1990-1991 to \$602 million in 2009-2010. All were need-based.
10. See note 9.
11. Texas Higher Education Coordinating Board Legislative Summary, 82nd Legislature. The Texas Higher Education Coordinating Board has recommended that institutions set lower average award amounts to reach more students. If implemented, the recommended award amounts would enable colleges to serve over 50 percent of new eligible students and all renewal students.