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## EXECUTIVE SUMMARY

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As authorized by Senate Bill 1652, the Joint Interim Committee on Higher Education has been studying the organization, operations, and funding of higher education. The first four charges concern the collection of data. Charges five through ten detail specific areas that the committee should study and make recommendations.

Recommendations that request additional appropriations are contingent upon available funding.

**Charge 5:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*Changes in the organization and operations of institutions of higher education that will improve opportunities for residents of all areas of the state to enroll in and complete programs of higher education.*

**Recommendation 1:**

The legislature should promote high school preparation and college success by awarding TEXAS Grants to eligible students during their first two years of college (first three years if they have acquired an associate's degree) and use the B-On-Time Student Loan Program to provide assistance in the upper-division undergraduate years.

**Recommendation 2:**

The legislature should modify the tuition rebate program to include awards to students graduating on time as measured by years, not just hours.

**Recommendation 3:**

The legislature should continue state support for the College for Texans Campaign.

**Recommendation 4:**

The legislature should align state academic progress requirements for the TEXAS Grant II Program to conform with the requirements of the TEXAS Grant Program and Texas B-On-Time Loan Program.

**Recommendation 5:**

The legislature should adjust the statute for the Educational Aide Exemption Program to indicate that a year of work as an educational aide is only a requirement for receiving a recipient's initial award in the program.

**Recommendation 6:**

The legislature should allow for institutions to issue funds generated through the Student Deposit Scholarship Program to students through the Texas Public Educational Grant Program.

**Recommendation 7:**

The legislature should allow institutions to issue their License Plate Insignia Scholarship Program funds to students through the Texas Public Educational Grant Program.

**Recommendation 8:**

The legislature should allocate the funds as follows:

- The legislature should appropriate \$683,000 to the Texas College Work-Study Program, where state funds leverage employer contributions to generate approximately \$911,000 in student earnings.
- The legislature should appropriate \$250,000 to the Professional Nursing Loan Repayment Program, where it will attract federal matching funds and produce \$500,000 in awards for nurse practitioners.
- The legislature should appropriate \$500,000 to supplement existing State Nursing Scholarship programs for professional nurses, to encourage nurses to pursue a faculty track.

**Recommendation 9:**

The legislature should require the P-16 Council to develop a college-readiness program for eighth through twelfth-graders in all public schools by 2008.

**Recommendation 10:**

The legislature should allow the Coordinating Board to draw down a portion of financial aid funds in August when most students are registering for fall enrollment and must pay for tuition, fees, and books.

**Recommendation 11:**

The legislature should require institutions of higher education to allow students to enroll on an accounts-receivable basis for tuition and fees if they are unable to pay due to a timing delay of the release of federal or state financial aid funds.

**Recommendation 12:**

The legislature should allow students who have been approved for financial aid to enroll under the installment plan even if financial aid funds are delayed beyond the initial installment payment date.

**Recommendation 13:**

The legislature should expand the Hinson-Hazelwood College Student Loan Program to allow eligibility for students enrolled in alternative certification programs approved by the State Board for Educator Certification.

**Recommendation 14:**

The legislature should amend the statute that allows the state to use the federal Lender's Special Allowance to pay for the administration of loan and grant programs and extend the authority to allow such funds to be awarded to students through the TEXAS Grant or other state financial aid programs.

**Recommendation 15:**

To eliminate confusion with the TEXAS Grant program, the legislature should change the name of the TEXAS Grant II program.

**Recommendation 16:**

The legislature should provide the same hardship provisions for the students receiving awards through the TEXAS Grant II program as are available for students in the TEXAS Grant Program.

**Recommendation 17:**

The legislature should end the inefficiency and confusion created by dual administration and assign full administration of the Tuition Assistance Program for Members of State Military Forces, [i.e., National Guard] to the Texas National Guard.

**Recommendation 18:**

The legislature should retain the eligibility dates established by House Bill 1882, and repeal the delayed eligibility dates codified by Senate Bill 1366.

**Recommendation 19:**

The legislature should clarify sovereign immunity and eminent domain statutes so they clearly apply to community colleges.

**Recommendation 20:**

The legislature should review the recommendation made by the Texas Higher Education Coordinating Board in January 2003 that endorses the incorporation of territory within the community colleges' legislatively designated service areas into the taxing districts.

**Recommendation 21:**

The legislature should direct the Coordinating Board to provide a biennial analysis of major sources of revenue and expenditures for each community college district, beginning with the 2003-04 biennium. The format used by the Coordinating Board for reporting data on higher education universities in March 2004 should be used as a template.

**Recommendation 22:**

The legislature should direct the Coordinating Board to provide a biennial analysis of the cost of attendance and major sources of financial aid, including grants, loans, scholarships, gifts, federal and state work study, and private sources for each community college district, beginning with the 2003-04 biennium. The format used by the Coordinating Board for reporting data on higher education universities in March 2004 should be used as a template.

**Recommendation 23:**

The legislature should direct the Coordinating Board to continue development of field-of-study curricula to allow students to seamlessly transfer course credit from one institution of higher education to another.

**Recommendation 24:**

The legislature should clarify the state's definition of employee for qualification of health insurance benefits in higher education.

**Recommendation 25:**

The legislature should review the establishment of a group insurance set aside for community colleges that experience dramatic enrollment growth during the biennium and must therefore fund significant increases in faculty and staff.

**Charge 6:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*Changes in the funding of institutions of higher education and university systems to maximize the state's limited resources to meet the higher education needs of the state, including incentives for sharing arrangements to improve productivity.*

**Recommendation 1:**

In its biennial appropriation of formula funding for higher education, the legislature should adopt a matrix with a phase-in period that reflects a blend of the actual cost of the full-funding formula with historical funding levels that retain legislative incentives.

**Recommendation 2:**

The legislature should give priority to the Coordinating Board's 2006-07 recommendation to increase state funding for community colleges by an additional \$279.9 million (from \$1.598 billion to \$1.878 billion), amounting to 60.3 percent of the cost of the full-funding formula.

**Recommendation 3:**

The legislature should restore the FY 2004 vetoed funding of \$10.8 million for both the Texas Excellence Fund and University Research Fund as an emergency appropriations item.

**Recommendation 4:**

The legislature should require that general revenue funding be used to reimburse higher education institutions for the cost related to debt service of all legislatively approved Tuition Revenue Bonds, and thereby honor the commitment made when these bonds were authorized.

**Recommendation 5:**

The 79th Legislature should direct the Legislative Budget Board to provide an update to the first edition on the report entitled *Financing Higher Education in Texas - Legislative Primer*, dated January 2003. The section entitled *State Funding for General Academic Institutions of Higher Education*, dated February 2002, should also be updated.

**Recommendation 6:**

The legislature should make changes to the tuition and fee flexibility granted to community college districts to set differential tuition, and clarify their authority for assessing fees, similar to the authority granted to public universities.

**Recommendation 7:**

The legislature should provide funding to encourage dual credit programs that community colleges have with their service area high schools and reimburse the colleges for the cost of tuition, fees and textbooks of qualifying students. Such funding would make these programs more accessible and attractive to colleges and students, and reduce the time between a high school and college degree.

**Recommendation 8:**

The legislature should adjust state funding formulas for the 2006-07 biennium so that any public community college that experiences a decrease of more than 10 percent in contact hour funding from one biennium to the next shall be held harmless from the actual dollar loss in excess of 10 percent. The legislature may discontinue such hold-harmless funding to colleges that experience declines in enrollment growth.

**Recommendation 9:**

The legislature should take appropriate action to ensure that the Dramatic Enrollment Growth Fund trusted with the Coordinating Board is restored to historic thresholds of appropriations for dramatic enrollment growth.

**Recommendation 10:**

The legislature should continue the funding floor for small colleges.

**Recommendation 11:**

The legislature should increase the appropriation (\$25 million for 2004-05 biennium) of the Skills Development Fund for the 2006-2007 biennium.

**Recommendation 12:**

The legislature should continue the funding of STARLINK and the VCT, and appropriate funding directly to the host community college district. This would allow each program a separate-strategy identity and facilitate the pass-through of funds directly to the fiscal agents. The state appropriation request for STARLINK is \$500,000 for the 2006-07 biennium; for VCT, the appropriation request for the 2006-07 biennium is \$1,000,000.

**Recommendation 13:**

The legislature should increase funding for TEXAS Grant II to meet student financial needs at community colleges.

**Charge 7:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*Accountability measures and performance incentives for institutions of higher education and university systems that are aligned with the purposes of higher education and that are sensitive to mission differentiation among institutions of higher education.*

**Recommendation 1:**

In order to make Texas public higher education institutions more transparent, the legislature should implement a statewide accountability plan to promote excellence through institutional groupings, peers, and benchmarks.

The statewide accountability system should include the following:

- Establishing groupings of institutions of similar types and missions;
- Determining appropriate measures that reflect institutional performance;
- Determining benchmarks against which to measure success;
- Assessing progress annually and taking steps to improve performance; and
- Restricting authority to deregulate tuition for those institutions whose performance is judged unsatisfactory within the accountability system.

**Recommendation 2:**

The legislature should consider incorporating the benchmarks established by the Coordinating Board and the Council of Public University Presidents and Chancellors in their report to be released in December 2004.

**Recommendation 3:**

The legislature should direct the systems and universities to incorporate into each institutions' individual accountability system methods that place a greater emphasis on improving the accessibility, affordability and excellence of undergraduate education, particularly in compliance with the *Closing the Gaps* initiative and the state's goal of enrolling 500,000 more students in higher education by 2015.

**Charge 8:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*The consolidation or reorganization of university system office functions and services, including the consolidation or reorganization of university systems to promote efficiency and productivity.*

**Recommendation 1:**

The legislature should direct the Coordinating Board to study the consolidation and/or reorganization of university systems, their component universities, research institutions and agencies, the independent universities, and the community and technical colleges of higher education in Texas to determine if other models would better serve the State of Texas, and improve opportunities for residents of all areas to enroll in and complete programs of higher education, and better align the system with the goals of the state's master plan of *Closing the Gaps in Participation by 2015*. This report should be delivered by September 1, 2006.

**Recommendation 2:**

The legislature should direct the systems and the state supported independent institutions to work with the Coordinating Board and Legislative Budget Board to study the full impact of moving these universities into one of the systems. This study should weigh the advantages and disadvantages of such restructuring on the students, the institutions and the systems involved. This report should be delivered by September 1, 2006.

**Recommendation 3:**

The legislature should require that system offices direct and assist component institutions to coordinate collaborative functions and to continue to study and develop economies of scale and other cost-saving initiatives and incentives in order to eliminate duplication and overlap of administrative, operational or reporting responsibilities or controls, and the corresponding expenditures. Systems should record findings and report to the legislature by September 1, 2006.

**Charge 9:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*Potential reductions in personnel and other cost savings associated with the committee's recommendations.*

**Recommendation 1:**

The legislature should direct the Coordinating Board to appoint an advisory committee of representatives from the Texas Association of Registrars, Admissions Officers; Texas Association of Black Personnel in Higher Education; Texas Association of Chicanos in Higher Education; and The Texas Association of Student Financial Aid Administrators to conduct further studies to determine recommendations for aligning exemption and waiver programs with participation and success goals of *Closing the Gaps by 2015* and making them more consistent and cost-effective.

**Recommendation 2:**

The legislature should direct the Coordinating Board to coordinate and consolidate the scope of reporting by systems and universities so as to utilize the millions of dollars spent in a more efficient and effective manner.

**Recommendation 3:**

The legislature should require that the institutions of higher education in Texas, individually or through system offices or related associations, conduct a study or bid-process to explore the possibility of using a one-supplier model of purchasing to consolidate and reduce spending, specifically in IT departments, but also in other areas of major expenditure. This study should include a review of how Historically Under-utilized Businesses would be utilized under such a model. Institutions should report findings to the legislature by January 2006.

**Recommendation 4:**

The 79th Legislature should continue to work with the Coordinating Board, the Legislative Budget Board and the system offices for updated biennial information on the cost and function of all aspects of system administrative expense.

**Recommendation 5:**

The legislature should evaluate requiring that systems and universities conduct an internal or independent audit of their financial statements on a biennial or quadrennial basis and to report such results to the legislature.

As a part of this evaluation, the legislature should weigh the potential benefits of a financial audit against the costs measured in funds and institutional resources of the university and/or system to accomplish such an effort.

**Charge 10:** In its recommendations, the committee shall identify opportunities for legislative and administrative action relating to:

*Deregulating seminaries and similar institutions offering exclusively religious education or training.*

**Recommendation 1:**

The Coordinating Board is jointly working with other interested parties on acceptable language for recommendations to the legislature. Therefore, the Joint Interim Committee on Higher Education has no recommendation at this time.