
INTERIM CHARGE THREE

In 2003, following the 78th Regular Legislative Session, the Joint Interim Committee on Higher Education was charged with:

Examine the effects of student and community characteristics on the costs of higher education including income and educational levels of the families of students, unemployment rates, population growth, and other uncontrollable factors.

Changes in the State of Texas are occurring and will continue at an exponential rate. Texans must be trained for vocations and professions and educated in the cultural and social forces shaping their lives. The public higher education system of Texas should provide a setting dedicated to nurturing collective excellence and individual achievement.

Texas has traditionally prospered through the hard work of its citizens and the development of its bountiful natural resources. But future prosperity will depend more extensively upon economic diversification and the cultivation of human resources through education.

State Demographics:

The 2000 Census revealed a Texas population that had increased even more rapidly in number and in diversity than anticipated and a state that showed rapid levels of economic expansion in many areas. At the same time, many public programs such as welfare and access to higher education and financial aid have been dramatically changed.

The magnitude of, and projected developments, in four major demographic trends have impacted and will continue to impact numerous aspects of Texas society and are critical for understanding the future. The four major demographic trends are:¹⁰⁵

- Changes in the rates and sources of population growth;
- The aging and age structure of the populations;
- Growth in the non-Anglo population; and
- The changing composition of Texas households.

Population Change:

The demographic history of Texas has been one of growth. Texas' population has increased more rapidly (in percentage terms) than the population of the nation in every decade since Texas became a state. The 1990s were notable in several regards, however, with the State's population growing to 20,851,820 by 2000, an increase of 22.8 percent since 1990.¹⁰⁶ This increase of 3,865,310 persons was the largest of any decade in Texas history and moved Texas past New York to become the nation's second largest state.¹⁰⁷ [Texas' population increase was only second to that in California (California increased by 4.1 million persons in the 1990s) and the eighth largest in percentage terms among all states.]¹⁰⁸

Growth in the 1990s came nearly equally from the two components of population growth, with 49.7 percent due to natural increase (the difference between the number of births and deaths) and 50.3 percent due to net migration (which can be immigration from nations outside the United States or immigration from other states).¹⁰⁹ Because natural increase rates change relatively slowly, and their response to economic change is less immediate than that for migration, Texas has a natural impetus to growth that is likely to lead to substantial future population increase in the State under a variety of economic conditions.

The growth in the population of Texas was also pervasive. All 24 of the Texas council of government (COG) regions experienced population growth, as did all 27 of its metropolitan statistical areas, 186 (73.2 percent) of its counties, and 945 (74.0 percent) of its places (i.e., towns and cities).¹¹⁰ The three parts of Texas which showed the highest levels of population growth included areas along the Texas-Mexico border, areas in the central corridor of Texas from Dallas-Fort Worth through San Antonio, and the Houston-Galveston area.¹¹¹ The slowest rates of growth were in the Panhandle, West Texas, and Beaumont-Port Arthur areas. Rural areas continued to show reduced levels of growth.¹¹² By 2000, non-metropolitan counties accounted for only 15.2 percent of the total population of the State (and received only 8.8 percent of the State's population increase in the 1990s), while metropolitan counties accounted for 84.8 percent of the population (and received 91.2 percent of the population increase).¹¹³ Metropolitan central city counties accounted for 67.1 percent of the total population (and received 61.5 percent of the population growth from 1990 to 2000) while suburban counties accounted for 17.7 percent of the population in 2000 (and received 29.7 percent of the 1990-2000 population increase).¹¹⁴

Age Structure of the Texas Population:

Two aspects of the age structure of the Texas population are critical to understanding the impacts of population change. First, as with the rest of the United States, the Texas population is aging as a result of increased longevity and the aging baby-boom generation. The Texas median age was 18.7 years in 1990 but was 32.3 years in 2000.¹¹⁵ Although still younger than the population in the nation as a whole (which had a median age of 35.3 years in 2000), the Texas population is likely to continue to age in a manner similar to that in the nation as a whole and to have nearly one-in-five persons who are 65 years of age or older by 2040 compared to fewer than one-in-ten in 2000.¹¹⁶ Services and conditions impacting older persons will become of increasing relevance to Texas and the rest of the nation in the coming decades.

A second characteristic of the age structure in Texas is the clear relationship between youth status and non-Anglo status. For example, the median age for Anglos in 2000 was 38.0 years but for African Americans it was 29.6 years, for Hispanics 25.5 years, and for the Other population 31.1 years.¹¹⁷ The differences in age structure are especially obvious when data for specific age groups are examined. For example, among the population 65 years of age or older, 73 percent is Anglo and 17 percent is Hispanic. While for the group that is less than five years of age, 40 percent is Anglo and 44 percent is Hispanic.¹¹⁸ Sixty percent of the population of Texas less than five years of age and 57 percent of the total population less than 18 years of age are non-Anglo.¹¹⁹ Clearly, issues related to older persons are more likely to affect Anglo populations and those related to children affect non-Anglo populations. Issues related to race/ethnicity and age may become increasingly interrelated.

Projected Patterns:

Substantial population increases are projected for Texas under a variety of alternative projection scenarios (See Appendix E. Exhibit E-1 and Exhibit E-2.) By 2010 the population is projected to be between 24.2 million and 25.9 million and by 2040 between 35.0 million and 50.6 million. Even under a low-growth scenario, the population of Texas would increase by more than 4.7 million persons from 2000 to 2040. Increases under a modest-growth scenario would add nearly 14.2 million, and under the high-growth scenario the increase would be more than 29.7 million.¹²⁰

Growth in the non-Anglo population:

Projections show more extensive percentage rates of growth in non-Anglo than in Anglo populations from 2000 to 2040.

As a result, the proportion of the total population composed of non-Anglos also increases substantially (See Appendix E Exhibit E-3 and Exhibit E-4). Under a high-growth scenario, the State's population in 2040 would be 24.2 percent Anglo, 7.9 percent African American, 59.1 percent Hispanic, and 8.8 percent members of the Other racial/ethnic group. By 2005 under a high-growth scenario, and by 2006 under a modest growth scenario, Texas population will be less than one-half Anglo. The Hispanic population is projected to become a majority of the State's population by 2026 under the high-growth scenario and by 2035 under the modest-growth scenario. Under the high-growth scenario, of the net increase in the population between 2000 and 2040, only 3.9 percent would be due to the Anglo population--meaning that more than 96 percent of the net additions to Texas population between 2000 and 2040 would be non-Anglo.¹²¹

Changing composition of Texas households:

The number of Texas households has increased rapidly as a result of population growth and the large numbers of the baby-boomers who have entered household-formation ages. The number of households increased by 43.7 percent in the 1970s, 23.0 percent during the 1980s, and 21.8 percent in the 1990s, and as a result, the State had 7,393,353 households by 2000.¹²²

Households have become smaller in size. The average Texas household has decreased by one person since 1940, from roughly 3.7 persons in 1940 to 2.7 persons in 2000, or by 36.5 percent.¹²³ This decline is important because fewer persons per household results in a larger number of households for a given size population, which in turn means growth in the number of consumer units.

The diversification of household forms has also been evident. The number of family households increased by 30.9, 18.1, and 20.8 percent in the 1970s, 1980s, and 1990s, respectively, while the number of non-family households increased by 100.5, 38.0, and 24.2 percent; the number of married-couple households increased by 16.1 percent in the 1990s but the percentage of married-couple households declined from 71.5 percent in 1970 to 54 percent in 2000.¹²⁴ The number of male householder households also increased in the 1990s by as much as 52.2 percent, while the number of female householder households grew by 33.6 percent.¹²⁵

Projected Patterns:

The rapid growth, racial/ethnic diversification, and the aging trends in the projected population are apparent in the projections of households as well. From 2000 to 2040 the number of Texas households is projected to increase by

nearly 6.2 million, from 7.4 million households in 2000 to 13.6 million households in 2040 under the modest-growth scenario and by nearly 12.0 million to 19.4 million households in 2040 under the high-growth scenario (See Appendix E Exhibit E-5)--- increases of 84.2 percent and 162.1 percent under the modest and high-growth scenarios, respectively (See Appendix E Exhibit E-6).

Population Change and Income in Texas:

In the 1990s, income levels increased in Texas faster than those in the nation and the State's poverty rate decreased more rapidly. In constant dollars, median household income in Texas increased by 13.9 percent compared to only 7.7 percent nationally and per capita income increased by 17.1 percent compared to 15.3 percent in the nation.¹²⁶ Poverty rates for persons fell by 14.9 percent in Texas compared to a decline of only 5.3 percent nationwide.¹²⁷ In Texas, 1999 median household and per capita income levels, however, remained lower than those in the nation--median household income in Texas in 1999 was \$39,927 compared to \$41,994 in the nation and per capita income in Texas was \$19,617 compared to \$21,587.¹²⁸ Poverty levels remained higher at 15.4 percent for Texas in 1999 compared 12.4 percent for the nation, but the differences between Texas and U.S. values decreased in the 1990s such that the Texas median household income was 95.1 percent of that in the U.S., Texas per capita income was 90.9 percent of that in the U.S., and the Texas poverty rate was 124.2 percent of that nationwide in 1999.¹²⁹

Despite the rapid growth of the 1990s, the disparities among groups in Texas remained large (See Appendix E Exhibit E-7). Although the percentage increases in income and declines in poverty rates were generally larger for Hispanics and African Americans than for Anglos from 1989 to 1999, large differences in absolute income and poverty levels remained, and in some cases increased. For example, median household incomes (in current dollars) for Anglos increased by 49.8 percent from 1989 to 1999 while for African Americans the increase was 64.0 percent, and for Hispanics it was 55.3 percent. As a result, African American and Hispanic median household incomes increased as a proportion of Anglo incomes (from 56.8 percent in 1989 to 62.1 percent in 1999 for African Americans and from 61.1 percent to 63.3 percent for Hispanics). The Anglo-Black absolute difference in median household income, however, was \$13,602 in 1989 but was \$17,857 in 1999 and the Anglo-Hispanic differences were \$12,242 in 1989 and \$17,289 in 1999.¹³⁰

Projected Patterns:

If 2000 differentials among age and race/ethnicity groups were to prevail, the total aggregate income would increase by 130.5 percent under the high-growth scenario and by 67.1 percent under the modest-growth scenario, compared to the 162.1 and 84.2 percent respective increases in the number of households, resulting in a decline in the overall level of per-household income in the State. The average income for all Texas households would decline by more than \$6,500 from 2000 to 2040 (in 2000 constant dollars) under the high-growth scenario and by \$5,061 under the modest-growth scenario (See Appendix E Exhibit E-8 and E-9).¹³¹

The distributions of households by income level will also show a general shift toward lower income categories. For example, under the high-growth scenario, the percentage of households with incomes below \$25,000 would increase from 30.7 percent in 2000 to 38 percent in 2040 (in 2000 constant dollars), while the percentage with incomes of \$100,000 or more would decrease from 11.5 percent to 8 percent (See Appendix E Exhibit E-10 and E-11).¹³²

Poverty rates would increase by 4.0 percent for families if the demographic trends projected under the high-growth scenario were to occur. Overall, if 2000 socioeconomic differentials do not change and if the population does change as projected, Texas will be poorer in the future.¹³³

If Texas could close the gap among racial/ethnic groups, the socioeconomic implications could be dramatic. A simulation assuming that 1990-2000 increases in relative income between Anglos and African-Americans and Anglos and Hispanics continued to 2040 suggests that, under the high-growth scenario, total aggregate income by 2040 would increase by \$93 billion and average household income would decline by only \$1,782 rather than by the more than \$6,500 projected to occur if 2000 differentials continue. Under a simulation assuming that African-Americans and Hispanics come to have Anglo levels of income and that household growth is at a level of the high-growth scenario, aggregate income in Texas would increase by \$295 billion and average household income would be \$63,116 rather than the \$54,441 that it was in 2000 or the \$47,883 that is projected to be in 2040 under the assumption of continuing 2000 differentials (See Appendix E Exhibit E-12). Changing the socioeconomic differentials existing in Texas society is of clear significance for changing the economic future of the State.¹³⁴

Higher Education Enrollment:

The number of Texas residents enrolled in Texas colleges and universities (at both the graduate and undergraduate levels) increased by 64.3 percent from 1980 to 2000 and public college enrollment stood at more than 835,000 in 2000. General revenue costs for educational programs at colleges and universities were more than \$2.6 billion in 2000.¹³⁵

Projected Patterns:

Due to the fast pace growth of enrollment in community colleges, the number of residents enrolled in universities was roughly 50,000 less than that in community colleges in 2000 (370,970 in universities and 421,078 in community colleges). Under the high-growth scenario, community college enrollment would be 848,867 in 2040 compared to 676,942 in public universities, a difference of nearly 172,000. (See Appendix E Exhibit E-13 and E-14).¹³⁶

In recent years, both community college and university enrollment have become more diverse, but diversity is even greater in community colleges. Under the high-growth scenario, 74.3 percent of community college students and 67.7 percent of those in public universities in 2040 would be non-Anglo, compared to 45.3 and 38.5 percent in 2000.¹³⁷ (See Appendix E Exhibit E-15).

Financial Assistance:

The number of college students requiring financial assistance will increase faster than total enrollment. Under the high-growth scenario, enrollment will increase by 101.6 percent in public community colleges and by 82.5 percent in public universities between 2000 and 2040, but the number of students with financial needs unmet by household resources will increase by 120.1 percent for community colleges and by 90.6 percent for public universities.¹³⁸

In the absence of changes in population patterns and/or relative socioeconomic resources, the growth in enrollment will increase¹³⁹:

- (1) the number of persons, and the associated costs, in specialized programs;
- (2) total public costs for education;
- (3) the number of students with unmet financial need; and
- (4) the total level of financial assistance required by students and to be provided by the State.

