

# SUNSET ADVISORY COMMISSION

FINAL REPORT  
WITH LEGISLATIVE ACTION

*Texas Higher Education  
Coordinating Board*

JULY 2013



# *Sunset Advisory Commission*

**Representative Dennis Bonnen**  
*Chair*

**Senator Robert Nichols**  
*Vice Chair*

Representative Rafael Anchia

Senator Brian Birdwell

Representative Byron Cook

Senator Joan Huffman

Representative Harold V. Dutton, Jr.

Senator Dan Patrick

Representative Four Price

Senator John Whitmire

Casandra Ortiz

Jan Newton

**Ken Levine**  
*Director*

---

*Cover photo: The Texas Capitol is a marvel of craftsmanship down to the smallest details. The beautifully carved wood door frames are emphasized with elaborate, custom-designed bronze hinges and hardware produced especially for the building by Sargent and Co. of New Haven, Connecticut, in the late 1880s. The eight inch by eight inch hinges are inscribed with the words "Texas Capitol", decorated with incised designs of geometric and stylized floral motifs, and weigh over seven pounds each.*

**TEXAS HIGHER EDUCATION  
COORDINATING BOARD**

**SUNSET FINAL REPORT WITH LEGISLATIVE ACTION  
JULY 2013**

---

This document is intended to compile all recommendations and action taken by the Sunset Advisory Commission for an agency under Sunset review. The following explains how the document is expanded and reissued to include responses from agency staff and the public.

- *Sunset Staff Report, March 2012* – Sunset staff develops a separate report on each individual agency, or on a group of related agencies. Each report contains both statutory and management recommendations developed after the staff's extensive evaluation of the agency.
  - *Sunset Staff Report with Hearing Material, April 2012* – Adds responses from agency staff and the public to Sunset staff recommendations, as well as new issues raised for consideration by the Sunset Commission at its public hearing.
  - *Sunset Staff Report with Decision Material, May 2012* – Adds additional responses, testimony, or new issues raised during and after the public hearing for consideration by the Sunset Commission at its decision meeting.
  - *Sunset Staff Report with Commission Decisions, June 2012* – Adds the decisions of the Sunset Commission on staff recommendations and new issues. Statutory changes adopted by the Commission are presented to the Legislature in the agency's Sunset bill.
  - *Sunset Final Report with Legislative Action, July 2013* – Summarizes the final results of an agency's Sunset review, including action taken by the Legislature on Sunset Commission recommendations and new provisions added by the Legislature to the agency's Sunset bill.
-

# TABLE OF CONTENTS

	PAGE
<b>SUMMARY</b>	
.....	1
<b>Staff Recommendations (page 2)</b>	
<b>Summary of Final Results (page 6a)</b>	
<b>AGENCY AT A GLANCE</b>	
.....	7
<b>ISSUES/RECOMMENDATIONS</b>	
1 The Governing Board's Limited Stakeholder Input and Experience Hinder Its Ability to Coordinate Texas' Higher Education Community.....	11
<b>Commission Decision (page 20e)</b>	
<b>Final Results (page 20e)</b>	
2 Outdated and Unnecessary Statutory Provisions Divert the Agency's Focus From Its Core Functions as a Higher Education Coordinating Entity.....	21
<b>Commission Decision (page 34e)</b>	
<b>Final Results (page 34e)</b>	
3 The Coordinating Board's Overarching Focus on <i>Closing the Gaps</i> Impedes the Agency's Strategic Management of Its Own Operations .....	35
<b>Commission Decision (page 46d)</b>	
<b>Final Results (page 46d)</b>	
4 Texas' B-On-Time Loan Program Is Not Working as Intended, Leaving Millions of Financial Aid Dollars Unspent or At Risk From Default.....	47
<b>Commission Decision (page 56f)</b>	
<b>Final Results (page 56f)</b>	
5 The Coordinating Board's Limited Monitoring of Funding and Data Fails to Ensure Their Appropriate Use and Accuracy.....	57
<b>Commission Decision (page 66c)</b>	
<b>Final Results (page 66c)</b>	

	PAGE
6 Texas Has a Continuing Need for the Texas Higher Education Coordinating Board .....	67
<b>Commission Decision (page 74a)</b>	
<b>Final Results (page 74a)</b>	

## NEW ISSUES

.....	75
<b>Commission Decision (page 75)</b>	
<b>Final Results (page 75)</b>	

## PROVISIONS ADDED BY THE LEGISLATURE

.....	77
-------	----

## APPENDICES

Appendix A — Student Financial Aid Programs .....	81
Appendix B — Institutional Grant Programs and Pilot Projects .....	85
Appendix C — Advisory Committees.....	89
Appendix D — Texas Higher Education Coordinating Board Reporting Requirements .....	93
Appendix E — Sunset Staff Recommendations for the Coordinating Board's Powers and Duties.....	99
Appendix F — Graduation and Persistence Rates.....	103
Appendix G — Staff Review Activities .....	107

---

# SUMMARY





# SUMMARY

Coordinating the collective higher education interests of the state is a delicate task. Successfully bringing together Texas' expansive and decentralized network of 38 universities, 50 community college districts, nine health science centers, three state colleges, and four state technical colleges to address statewide goals requires a certain skill and finesse. With vast differences in size, type, mission, geography, needs, and resources, openly considering the diverse perspectives of the state's higher education community is fundamental to effective coordination.

In practice, the Texas Higher Education Coordinating Board's approach to stakeholder input is often not consistent with its coordination name. Sunset staff found that the relationship between the Coordinating Board and its primary stakeholders, higher education institutions, often appears to be one of tension and distrust, rather than openness and collaboration. The agency makes a large overall effort to obtain stakeholder input — involving 36 advisory committees and over 500 people — but then makes major decisions in isolation or without clearly communicating the reasons for significant, and sometimes last minute, changes. This culture makes it difficult for the agency to foster a collaborative environment essential for moving the state forward on shared higher education goals.

Internally, myriad duties, programs, initiatives, and expectations have led the agency astray from its core functions as a coordinating entity. Sunset staff found that the agency has not clearly defined its mission and goals — apart from its role in the State's long-range plan, *Closing the Gaps by 2015*. The lack of a clear, agency-level strategic plan to prioritize among its multitude of duties results in ongoing confusion about its role and what the agency plans to focus on every two years. In addition, the agency's statute is inundated with outdated, confusing, and unnecessary activities that further the confusion over the agency's appropriate responsibilities.

Because the Coordinating Board lacks performance measures or clear means for the Legislature to judge the performance of the agency, the success or failure of the agency's many programs is not always obvious. For example, the B-On-Time loan program leaves millions of valuable financial aid dollars unspent and puts millions of state dollars at risk through its extremely high default rate. The agency also lacks a consistent monitoring function to ensure more than \$900 million in disbursed funds are used in accordance with the State's intent or that critical data, such as enrollment data used to allocate more than \$3.8 billion in formula funding, is accurate.

The recommendations in this report are intended to improve the agency's engagement with stakeholders, clarify the agency's core functions, eliminate unnecessary and confusing provisions and reports from statute, and most

---

*Openly considering the diverse perspectives of the state's higher education community is fundamental to effective coordination.*

---

significantly, refocus the agency on more strategically planning for and managing its operations. Other changes aim to improve specific programs, such as compliance monitoring and financial aid to students through the B-On-Time loan program.

The following material summarizes Sunset staff recommendations on the Texas Higher Education Coordinating Board.

## **Issues and Recommendations**

### ***Issue 1***

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

Despite the agency's large overall effort to obtain stakeholder feedback, the governing board itself receives little direct stakeholder and public input. Together with the agency's isolated approach to decision making, stakeholders lack clear means to provide direct feedback or offer varying perspectives related to major decisions before the Board. Clear mechanisms to provide direct public comment to the Board, and having advisory committees report their recommendation directly to the Board would improve stakeholder buy-in and make the agency's coordination efforts more effective.

The Board's structure would also benefit from requirements for higher education experience to aid in navigating the complexities of, and to independently direct, state higher education policy. Improvements in the oversight and use of advisory committees, along with increased transparency and controls in funding allocation methodologies, would also improve the Coordinating Board's ability to effectively coordinate Texas' higher education community.

#### **Key Recommendations**

- Require one-third of the members of the Board to have experience in the field of higher education.
- Require the Coordinating Board to provide opportunities for public comment at each board meeting.
- Require the Coordinating Board to ensure its advisory committees report recommendations directly to the Board and to consider restructuring the use of its advisory committees.
- Require the Coordinating Board to strengthen its internal controls for allocating financial aid funding and ensure stakeholder input by adopting allocation methodologies in rule.

### ***Issue 2***

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

Since the Legislature created the Coordinating Board nearly 50 years ago, it has been adding onto the agency's statutory duties with a variety of planning functions, regulatory approvals, reporting requirements, and programs. Over time, all of these additions have begun to weigh the agency down to the point that its core functions as a higher education coordinating entity have been obscured. In

addition, statutory language for two of the agency's key functions, long-range planning and academic program approval, is outdated, unclear, and confusing. By providing a concise list of powers and duties in statute, eliminating a variety of outdated and unnecessary statutory provisions, and clarifying authority for other key functions, the agency will be better able to perform the essential functions of a coordinating entity.

### **Key Recommendations**

- Redefine the Coordinating Board's powers and duties in statute to reflect the major functions of a modern higher education coordinating entity.
- Redefine long-range planning for higher education in statute.
- Update the Coordinating Board's statute to clearly define its academic program approval authority in one section of law.
- Eliminate 20 unfunded and unnecessary programs from statute and four unnecessary reporting requirements.

## ***Issue 3***

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

*Closing the Gaps by 2015* is the State's long-range plan for higher education, and the ultimate success or failure of the plan depends mostly on the actions of the state's colleges and universities. *Closing the Gaps* is not, and was never meant to be, a strategic plan for the Coordinating Board itself. However, since its creation in 2000, *Closing the Gaps* has become the driving force behind the agency's every decision. While well-intentioned, this overarching focus on *Closing the Gaps* has impeded the agency from clearly defining its own mission and role. Sunset staff also found that the Coordinating Board lacks a single manager to run, and ensure accountability for, the day-to-day operations of the agency, and struggles to communicate its activities via its website.

Directing the agency to revamp its strategic plan, budget, and performance measures to reflect and guide the agency's day-to-day functions would help the agency's management and staff, as well as the Legislature, stakeholders, and the public, better understand the agency's priorities and how well the agency is performing. Ensuring a single high-level executive oversees the management of the agency would also improve the agency's ability to focus on its priorities and efficiently do its work.

### **Key Recommendations**

- Direct the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions.
- Direct the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations.
- Direct the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions.
- Direct the Coordinating Board to redesign its websites.

## ***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.**

The Texas B-On-Time Loan Program provides zero-percent interest loans for eligible students, and offers loan forgiveness to students who graduate with at least a B-average and within a specific number of credit hours or years. In fiscal year 2011, only 38 percent of participants fulfilled the program's forgiveness requirements and institutions failed to disburse more than \$32 million in B-On-Time funds. The program appears particularly ill-suited to two-year institutions that use very little of their B-On-Time allocations. The program also has a very high default rate, nearly triple the rate of the agency's other state loan program.

Making adjustments to ease the program's requirements and change how it is promoted should create greater interest in the program and enable more students to successfully graduate on time. Adding stronger credit requirements would also help protect the state from financial risks associated with defaulted loans. Shifting funding for two-year institutions to a program more suited to these students would ensure better use of this portion of the B-On-Time funding.

#### **Key Recommendations**

- Lengthen the yearly and credit hour graduation requirements for B-On-Time loan forgiveness.
- Require the Coordinating Board to set minimum credit requirements to obtain a loan through the B-On-Time program.
- Remove all two-year institutions from participation in the B-On-Time loan program and recommend that the Legislature transfer B-On-Time funding for public two-year institutions to the Texas Educational Opportunity Grant program.
- Direct the Coordinating Board to promote B-On-Time as a loan program, instead of a grant, and emphasize opportunities for loan forgiveness.

## ***Issue 5***

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

The Coordinating Board flows almost \$910 million in financial aid for students and other grants to institutions of higher education annually, and collects critical data from institutions that the Legislature uses to fund and plan higher education. Despite the significant volume of state funds at risk, the Coordinating Board does not sufficiently or consistently monitor institutions' use of funding to make certain that aid goes to eligible students.

While the Coordinating Board's internal audit program performs limited monitoring through audits of funds and data at select institutions, this role is not standard for internal audit and diverts its focus from agency operations. Moreover, having internal audit perform monitoring functions can compromise its ability to independently evaluate the effectiveness of the agency's monitoring efforts. Monitoring of key data, primarily enrollment figures used for formula funding to institutions, is also split between the Coordinating Board and the State Auditor's Office.

Establishing an ongoing compliance monitoring function for funds and data at the Coordinating Board would help ensure the proper use of state aid and the accuracy of important data. Focusing the Coordinating Board's internal audit program on its core mission of evaluating the agency's internal controls would help minimize unnecessary risks to the State.

### **Key Recommendations**

- 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.
- The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations.

## ***Issue 6***

### **Texas Has a Continuing Need for the Texas Higher Education Coordinating Board.**

Because of the decentralized nature of the state's higher education system, the State continues to need a statewide perspective on higher education in Texas. The State benefits from having an entity to plan for statewide higher education needs, aggregate statewide data, coordinate distribution of higher education resources and link those decisions to state spending, as well as to serve as a central administrator for certain grant and student financial aid programs. No significant benefits would justify consolidation with or transfer of the Coordinating Board's functions to another agency.

### **Key Recommendation**

- Continue the Texas Higher Education Coordinating Board for 12 years.

## **Fiscal Implication Summary**

Overall, these recommendations would not have a significant fiscal impact to the State. However, several issues recommend changes in funding, as summarized below.

**Issue 3** — Requiring the Coordinating Board to designate a single high-level executive to oversee the agency's day-to-day management could be accommodated through restructuring the existing staff organization instead of hiring a new employee. The other recommendations regarding the agency's website, strategic planning, budgeting, performance measures, and time management should not require new resources.

**Issue 4** — Removing all two-year institutions from participation in the B-On-Time loan program and transferring the General Revenue to the Texas Educational Opportunity Grant (TEOG) Program would not result in a net fiscal impact to the State. Approximately \$7.2 million would need to transfer from B-On-Time to TEOG. A small portion of these funds would remain in B-On-Time to fund participating students until they graduate or become ineligible for the program.

**Issue 5** — Establishing a compliance monitoring function at the Coordinating Board for funds flowing to institutions of higher education and self-reported data would not have a net fiscal impact to the State. While the new monitoring function would require an increase of four full-time staff, the estimated \$310,910 in costs would come from the funds most at risk of misuse or inaccuracy — General Revenue appropriated for financial aid and institutional formula funding — prior to allocation to institutions.



## SUMMARY OF FINAL RESULTS

### *S.B. 215 Birdwell (Anchia)*

The primary result of the Sunset review of the Texas Higher Education Coordinating Board was to refocus the agency on coordination, and not regulation, of public higher education. Specifically, the Coordinating Board's Sunset legislation, Senate Bill 215, removed the agency's authority to consolidate or eliminate low-producing degree or certificate programs and to approve capital projects at institutions of higher education. Senate Bill 215 also provided that powers not expressly delegated to the Coordinating Board by law are reserved to higher education institutions and their governing boards.

Other changes made through the Coordinating Board's Sunset review aim to improve the effectiveness of the agency's coordination efforts through more meaningful consideration of input from stakeholders. The Sunset bill renews the importance of stakeholder input by ensuring that valuable feedback from the public, stakeholders, and advisory committees is provided directly to the Board, and not filtered through agency staff. The legislation also includes requirements for the agency to engage in negotiated rulemaking.

The Sunset Commission also adopted a series of directives to focus the agency's leadership on more strategically managing the agency's operations. Most significantly, appointment of a single executive manager and revamping the agency's strategic plan will help the agency's management, stakeholders, and the Legislature narrow the agency's priorities and understand how well the agency is performing. Senate Bill 215 also clarified the Board's major functions and removed outdated and unnecessary statutory provisions, programs, and reporting requirements that divert the agency's focus from its core functions.

Several of the State's largest financial aid programs experienced changes through the Sunset review. For both TEXAS Grants and B-On-Time Loans, the Sunset bill removed students at two-year institutions from eligibility in the programs because these students often do not meet program requirements. Instead, the Legislature increased funding for these students through the Texas Educational Opportunity Grant program, which is specific to the needs of students at two-year institutions. The Sunset bill also enacted measures to address the B-On-Time Loan Program's three largest problems: low student participation rates, low loan forgiveness rates, and high loan default rates.

Senate Bill 215 also resulted in significant changes to the Texas Guaranteed Student Loan Corporation. The bill changes the Corporation from a public nonprofit corporation within state government to a private nonprofit corporation. In addition, the bill makes the Coordinating Board the state entity responsible for providing financial aid services, including awareness efforts relating to available grant and loan programs and prevention of student loan default.

The following material summarizes results of the Sunset review of the Coordinating Board, including management actions directed to the Board that do not require statutory change.

**Powers and Duties**

- Limits the Coordinating Board's authority to expressly granted powers and reserves other powers to higher education institutions and their governing boards.
- Removes the Board's authority to approve capital projects for public higher education institutions.
- Redefines the Coordinating Board's powers and duties in statute to reflect the major functions of a modern higher education coordinating entity.
- Combines and simplifies long-range planning requirements for higher education in statute.
- Eliminates 20 unfunded and unnecessary programs from statute and four unnecessary reporting requirements.
- Requires the Coordinating Board to periodically re-evaluate the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.
- Provides 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.

**Academic Program Oversight**

- Updates the Coordinating Board's statute to clearly define its academic program approval authority in one section of law.
- Prohibits the Board from ordering the consolidation or elimination of a degree or certificate program.
- Caps the number of hours required for an associate's degree.
- Prohibits the Board from issuing a certificate of authority to a foreign post-secondary institution.
- Places conditions on the Board's review and approval of certain degree programs.
- Requires institutions to secure preliminary approval from the Board when an institution proposes to implement, instead of when it begins to plan for, a new degree program. Provides that a new degree or certificate program is automatically approved if the Board doesn't act within one year and prohibits the Board from disapproving a program without completing its review.

**Transfer of Credit**

- Requires an institution to annually update its list of courses in the common course numbering system and prohibits discrimination of transfer credits based on accreditation of the sending institution.
- Limits articulation agreement requirements for junior colleges offering a baccalaureate degree in applied science or applied technology.



**Stakeholder Input**

- Requires the Coordinating Board to provide opportunities for public comment as an agenda item for each board meeting.
- Requires negotiated rulemaking for certain policy areas, such as admissions and transfer policies.
- Requires the Coordinating Board to strengthen its internal controls for allocating financial aid and other trusteed funds and ensure stakeholder input by adopting allocation methodologies in rule.
- Requires 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.
- Directs the Coordinating Board to restructure and reduce its number of advisory committees. (management action – nonstatutory)

**Strategic Agency Management**

- Directs the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations. (management action – nonstatutory)
- Directs the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions. (management action – nonstatutory)
- Directs 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. (management action – nonstatutory)
- Directs the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions. (management action – nonstatutory)

**Compliance Monitoring**

- Requires 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.
- The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations. (management action – nonstatutory)

**B-On-Time Loan Program**

- Removes all two-year institutions from participation in the B-On-Time Loan Program and increases the funding for public two-year institutions in a program better suited to those institutions' needs.
- Changes the basis for the program's funding allocation from an institution's enrollment to the proportion of dedicated tuition set-asides paid by the institution.

- Grants higher education institutions discretion to determine the amount of an individual B-On-Time loan.
- Requires the Board to develop measures to address low participation and forgiveness rates for the program, and requires the Board to provide loan counseling to address high loan default rates.
- Requires an institution with a default rate that exceeds, or a forgiveness rate that is below, the program's state average to provide loan repayment and default prevention counseling.
- Directs the Coordinating Board to seek a revision to federal regulations for alternative loans to exclude restrictions on state-sponsored loan programs. (management action – nonstatutory)
- Requires the Coordinating Board to include information about the B-On-Time Loan Program's progress in its annual financial aid report. (management action – nonstatutory)

### **Financial Aid and Research**

- Removes two-year institutions from eligibility in the TEXAS Grant Program and expands the eligibility for transfer students to receive a TEXAS Grant.
- Requires the Board to study the creation of a state financial assistance program for competency-based online colleges and universities.
- Makes cosigners of a student loan liable for a defaulted loan and designates Travis County as the venue for suits.
- Creates the Student Loan Default Prevention and Financial Aid Literacy Pilot Program.
- Creates the Texas Competitive Knowledge Fund in statute.

### **Texas Guaranteed Student Loan Corporation**

- Changes the Texas Guaranteed Student Loan Corporation from a public nonprofit corporation within state government to a private nonprofit corporation.
- Makes the Coordinating Board the state entity responsible for providing financial aid services, including awareness efforts relating to available grant and loan programs and prevention of student loan default.

### **Continuation**

- Continues the Texas Higher Education Coordinating Board for 12 years.

### **Fiscal Implication**

Fiscal implications of the Sunset review result only from provisions of the Sunset bill. The bill will have an estimated fiscal impact to the State of \$665,734 over the biennium to fund four additional staff for the agency's compliance monitoring function.

---

**AGENCY AT A GLANCE**  
**MARCH 2012**



# AGENCY AT A GLANCE

The Legislature created the Texas Higher Education Coordinating Board in 1965 to provide statewide leadership for Texas' public institutions of higher education, to promote quality education, and to avoid unnecessary duplication among program offerings. The Board's key functions include:

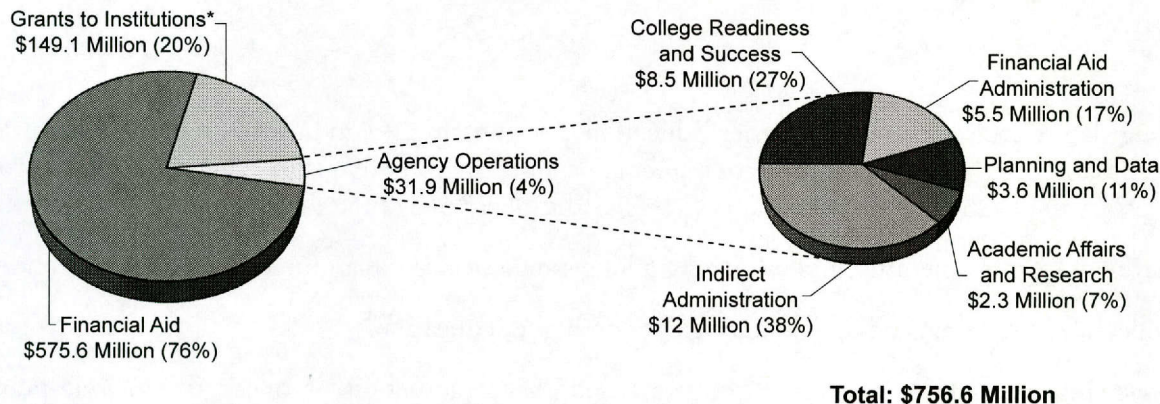
- developing, implementing, and evaluating a long-range strategic plan for Texas higher education;
- collecting, analyzing, and disseminating data on higher education;
- reviewing and approving degree programs and the construction of major facilities at public institutions of higher education;
- administering state financial aid programs and disbursing financial aid funds to institutions of higher education; and
- administering state and federal grant programs to support higher education goals.

The Texas public higher education system includes 38 universities, 50 community college districts, nine health science centers, three state colleges, and four state technical colleges. In fiscal year 2011, more than 1.3 million students were enrolled in these public institutions.

## Key Facts

- **Texas Higher Education Coordinating Board.** The governing board consists of nine public members appointed by the Governor to provide representation from different areas of the state. Members serve staggered six-year terms and the Governor designates the chair of the Board. The Governor also appoints a non-voting student representative to the Board for a one-year term. The Board has three standing committees: the Committee on Closing the Gaps, the Committee on Strategic Planning and Policy, and the Committee on Agency Operations.
- ***Closing the Gaps.*** In 2000, the Coordinating Board launched *Closing the Gaps by 2015*, the State's long-range plan for higher education. The plan aims to bring Texas to parity with the ten most populous states through improvement in several aspects of higher education. The four major goals of *Closing the Gaps* include increasing participation, success, research, and excellence in higher education.
- **Commissioner and staff.** The Commissioner of Higher Education, appointed by the Board, supervises staff and performs duties delegated by the Board. In fiscal year 2011, the agency employed 274 staff, all housed in Austin.
- **Funding.** For fiscal year 2012, the Coordinating Board is operating on a budget of \$756.6 million. The chart on the following page, *Operating Budget*, shows that 96 percent of the agency's budget is passed through to institutions for grants and student financial aid. The other four percent, approximately \$32 million, fund the agency's operations. The chart on the following page, *Sources of Revenue*, shows that 89 percent of the agency's total budget is made up of General Revenue.

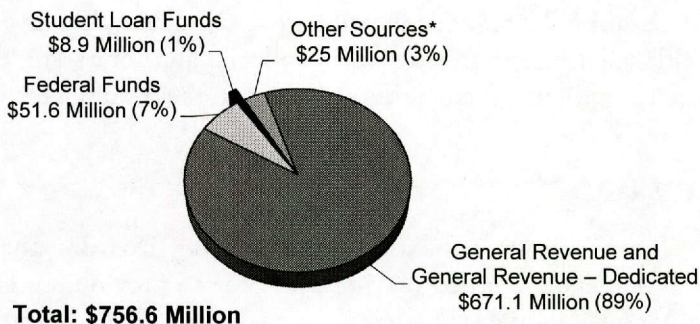
### Operating Budget FY 2012



\* A limited number of agency grants may be awarded to entities other than institutions.

- Data.** One of the Coordinating Board's most critical functions is compiling statewide data from institutions of higher education, including data on enrollment, graduation, facilities, faculty, and financial aid. This data serves a variety of purposes, such as tracking institutions' progress in *Closing the Gaps*, supporting statewide policy development, and allocating state financial aid and institutional funding. The agency's higher education accountability system is nationally recognized for its use of data to drive improvements in Texas' higher education system.<sup>1</sup> The Coordinating Board also annually publishes the *Texas Public Higher Education Almanac*, which includes profiles and measures for each public institution in the state.

### Sources of Revenue FY 2012



\* Includes funds from private foundations, interagency contracts, tobacco settlement funds, and a gift from the Texas Guaranteed Student Loan Corporation.

- Financial aid.** The Coordinating Board administers state financial aid for students through a variety of mechanisms, including grants, loans, work study, tuition exemptions and waivers, and loan repayment and forgiveness. In fiscal year 2012, the Legislature appropriated \$576 million to the Coordinating Board for student financial aid, including \$325 million for TEXAS Grants. A complete list of state financial aid programs can be found in Appendix A, *Student Financial Aid Programs*.
- Academic Program Review.** The Coordinating Board reviews new and existing certificate and degree programs for all Texas public institutions of higher education to avoid unnecessary duplication and ensure quality and sufficient student demand. In 2011, the Coordinating Board's review of programs producing low numbers of graduates resulted in the closure or consolidation of over 200 degree programs. The Coordinating Board also oversees other institutions wishing to grant degrees in Texas, including private career schools, private colleges and universities, and out-of-state institutions.

- **Institutional grants.** The Coordinating Board administers a number of state and federal programs that provide grant funding to support institutions for the following purposes:
  - research initiatives at institutions of higher education;
  - academic programs in occupational fields with critical shortages, such as nursing and engineering;
  - workforce training programs at community colleges; and
  - pilot programs designed to promote college and career readiness, facilitate the successful transition from high school to college, improve adult basic education and developmental education, and improve educator preparation.

Appendix B, *Institutional Grant Programs and Pilot Projects*, provides a complete list of these grant programs.

---

<sup>1</sup> Kevin Carey and Chad Aldeman, "Ready to Assemble: Grading State Higher Education Accountability Systems," Education Sector Reports (June 30, 2009), accessed March 4, 2012, <http://www.educationsector.org/sites/default/files/publications/HigherEdSummary.pdf>.





---

**ISSUES**



# ISSUE 1

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

### Background

The Texas Higher Education Coordinating Board was created to provide “leadership and coordination for the Texas higher education system.”<sup>1</sup> To fulfill its leadership role, the Coordinating Board is statutorily directed to provide information and make recommendations to the Legislature on a number of higher education policy areas, including: meeting the goals of the State’s higher education plan; excellence, efficiency, and effectiveness of higher education; statewide resource needs; and higher education funding.<sup>2</sup>

The governing board is comprised of nine public members appointed by the Governor to represent different areas of the state and includes a non-voting student representative.<sup>3</sup> No experience requirements are set in statute. The Board appoints the Commissioner of Higher Education to select and supervise agency staff and perform other duties delegated by the Board. Statute requires the Commissioner to have a thorough background and training in the fields of higher education and administration.<sup>4</sup> Statute also authorizes the Board chair to appoint committees from the Board’s membership, such as board subcommittees, as well as appoint advisory committees from outside of its membership as it deems necessary.<sup>5</sup>

### Findings

#### **Limited higher education expertise can reduce the governing board’s ability to best direct policy for Texas’ complex and diverse higher education system.**

Statewide coordinating entities exist to foster communication and compromise among different stakeholders to move the state forward toward a shared goal. The governing board of a coordinating entity must demonstrate an understanding of the relevant issues to ensure thorough consideration of varying stakeholder perspectives in decision making, and to create the stakeholder buy-in that makes coordination effective. While members of the Board serve as effective *public* members, the structure of the Board does not ensure the expertise in higher education needed to enable it to most effectively and independently guide the state through the wide range of policy issues affecting higher education.

More so than many other state agencies, the Legislature relies upon the Coordinating Board to provide leadership in its policy area, higher education, and to make policy recommendations for consideration by the Legislature. In fact, the Coordinating Board’s primary function is to “represent the highest authority in matters of public higher education.”<sup>6</sup> In Texas, public higher education is comprised of an expansive and decentralized network of

---

*The Legislature relies on the Board to provide leadership in higher education.*

---

38 universities, 50 community college districts, nine health science centers, three state colleges, and four state technical colleges, with vast differences in size, type, mission, geography, needs, and resources. Understanding the diverse issues affecting higher education and making statewide policies that are workable for each institution is a difficult task that could benefit from ensuring participation of board members with higher education experience.

---

*The Board relies heavily on agency staff for higher education expertise.*

---

Because the Board is not required to have subject-matter experience in higher education, the Board is heavily reliant on one source of expertise: agency staff, often the Commissioner of Higher Education. A lack of higher education experience makes it difficult for the agency's governing board to independently raise alternatives to the staff's position on policy issues. As a result, the Board is left with only staff's policy perspective, at the expense of other viewpoints needed for effective decision making.

Two current board members have experience related to higher education, which adds value to board discussions. However, without a requirement for higher education experience, such experience is not ensured in future gubernatorial appointments. A number of governing boards for state agencies include requirements for public member expertise, such as the Teacher Retirement System, the State Office of Risk Management, the Pension Review Board, as well as the Racing and Lottery Commissions.

The position of Commissioner of Higher Education is a highly visible position that serves as a leader for higher education issues that affect the state. In a practical manner, the Commissioner is more powerful than an executive director. The platform provided by this position is essential to ensure the Legislature hears a statewide perspective on higher education beyond the parochial interests of individual institutions or systems. However, an all public-member board without higher education experience cannot consistently provide expertise needed for balanced oversight of the Commissioner's policy perspectives.

**The agency does not provide adequate opportunities for direct stakeholder input to the Board.**

---

*Governing boards should consider diverse points of view before making decisions.*

---

The Coordinating Board has no standard mechanisms to ensure the Board has direct public or stakeholder input before making major decisions with statewide impacts. A key responsibility of governing boards is to listen to the public and agency stakeholders to consider diverse points of view before making decisions. Without adequate opportunities for public comment, the Board may be unaware of stakeholders' varied policy perspectives and must depend largely on agency staff to describe impacts of proposed policies on stakeholders.

Statute includes the Sunset across-the-board requirement for the Board to "develop and implement policies that provide the public with a reasonable opportunity to appear before the Board and to speak on any issue under jurisdiction of the Board."<sup>7</sup> The agency has a well-intentioned policy to

provide an opportunity to address the Board to anyone who requests to do so prior to the board meeting. While some of the Coordinating Board's stakeholders may be savvy enough to know to request a Board appearance, the general public has no way to know about this opportunity. Moreover, because very little input occurs directly to the Board, such uncommon appearances are elevated. Although institutions did not provide evidence of retaliation, some institutions expressed fear of retaliation from the agency for providing comments contrary to staff's perspective.

On two separate occasions, Sunset staff observed audience members who were upset and frustrated with their inability to provide comments to the Board on agenda items. Beyond the general public, hearing from institutions is imperative for the Board to fully understand the impacts of its decisions on its primary higher education audience. Almost all other state agencies provide clear opportunities for public comment at each board meeting, and many provide additional opportunities for input before key items are up for decision.

Stakeholders claim that the agency develops policy recommendations in isolation and seeks support after their development, rather than being inclusive in developing policy recommendations. The Coordinating Board has a difficult job representing the entire public higher education system; the interests of individual institutions and the state as a whole are often intrinsically at odds with one another. However, an isolated approach to policy development, without the inclusion of stakeholders, can hinder the support needed for forward progress toward shared higher education goals.

**The structure of the agency's advisory committees does not meet standard operating criteria and fails to provide the direct input and expertise needed to aid the governing board in setting policy and making decisions.**

The Texas Sunset Act directs the Sunset Commission and staff to consider the efficiency and effectiveness with which advisory committees operate.<sup>8</sup> State agencies and policy bodies use advisory committees to provide independent, external expertise on how the agency's policies and procedures affect certain entities or stakeholders or to help develop recommendations for new agency or state policy directives. The textbox, *Advisory Committees*, provides additional information on advisory committees. Advisory committees are in contrast to board subcommittees, which are made up only of a subset of board members and typically serve as a division of labor for board responsibilities and activities. Appendix C, *Advisory Committees*, lists the charges of each of the agency's 37 advisory committees.

---

*An isolated approach to policy development can hinder progress toward higher education goals.*

---

**Advisory Committees**

An advisory committee is defined as a committee, council, commission, task force, or other entity with multiple members that has as its primary function advising a state agency in the executive branch of state government.<sup>9</sup> Typically, advisory committees are standing committees with broad-based jurisdiction that can be created in statute or by a state agency. Advisory committees are subject to requirements in Chapter 2110 of the Texas Government Code.

---

*The Board's advisory committees do not report recommendations directly to the Board.*

---

- **Reporting structure.** In contrast to many other state agencies, most of the Coordinating Board's advisory committees do not report recommendations directly to the governing board. The Coordinating Board puts forward significant effort and resources to obtain stakeholder feedback through advisory committees, and agency staff does a good job facilitating discussions. However, because most committees are not reporting their recommendations directly to the Board, the governing board may not be making effective use of the work of these committees when making decisions. Having advisory committees report solely to staff does not ensure input or recommendations from advisory committees are clearly or accurately communicated to the Board. Members of advisory committees have expressed frustration over the lack of direct communication with the Board, as most input from advisory committees currently flows through agency staff.

The agency has an extensive list of advisory committees from which it obtains stakeholder input. However, when staff recommendations vary from committee recommendations, staff recommendations are not regularly shared with stakeholders before staff presents them to the Board for decisions. In its October 2011 board meeting, the Board's consideration of rules for the core curriculum created confusion among stakeholders who did not understand the impact of staff's proposal on individual institutions or to what extent staff's recommendation differed from the advisory committee's recommendation. The Coordinating Board staff could have resolved much of the confusion and frustration by sharing any concerns on the matter with the full advisory committee when the committee developed its recommendation, having the advisory committee present its own recommendations to the Board, and allowing public testimony on both the staff and advisory committee recommendations. While the agency and stakeholders may not always agree, the Board would benefit from an open and collaborative approach to sharing ideas.

---

*The inclusion of board members on advisory committees can undermine the committees' independence and objectivity.*

---

- **Board members.** Governing boards typically use advisory committees to seek needed expertise or perspectives from outside their membership to fully vet an item for decision. The agency has one current advisory committee with board members on the committee, and has included board members on advisory committees in the past. The inclusion of board members on advisory committees, or even their presence at advisory committee meetings, can undermine the independence and objectivity of a committee by influencing or inhibiting the committee's actions, discussions, or recommendations, and is not a best practice for advisory committees.

The practice of including board members on advisory committees can also blur the lines between the board as the decision makers and other individuals serving only in an advisory capacity, as advisory committees are supposed to serve as external, independent sources of information for the board or agency. Moreover, direct involvement of board members

in the development of recommendations at an advisory committee level can diminish discussions once the matter comes before the full board at public board meetings. The entire governing body, after input from agency stakeholders, deserves the opportunity to fully discuss major decisions together in a public setting.

- **Oversight.** The agency does not comply with certain statutory requirements for its advisory committees, such as to regularly review the continuing need, and to adopt rules to specify the purpose, tasks, and manner of reporting, for each advisory committee.<sup>10</sup> Without regular evaluation and clear purposes and timeframes, the agency does not ensure its system of advisory committees is efficient or effective. The agency has adopted rules describing its intent to comply with Chapter 2110, but the rule is outdated and the agency's practices are not consistent with the rule. The textbox, *Noncompliant Components of the Coordinating Board's Advisory Committee Structure*, describes the ways in which the agency is not in compliance with statute.

#### ***Noncompliant Components of the Coordinating Board's Advisory Committee Structure***

- Six advisory committees are chaired by agency staff instead of selecting their own presiding officer. The practice of having staff chair an advisory committee undermines the advisory role of the committees, as staff may influence actions or decisions of the groups. Staff should also not be involved in selection of the chair.
- Board rules do not consistently include the purpose, tasks, manner of reporting, or abolishment dates for each committee.
- The agency's advisory committee review process does not annually evaluate the committee's work, usefulness, or costs and associated staff time related to each committee or report this information to the Legislative Budget Board. However, the agency does have a review process to ensure diverse representation on its committees and workgroups.
- One committee exceeds the statutory limit of 24 members.

- **Use.** The agency's narrow, topic-specific approach to advisory committees is uncommon among other state agencies. Most state agencies establish a smaller number of standing advisory committees that have broad jurisdiction over certain functions, programs, or related topics. This approach allows agencies to assign any number of specific topics to one standing advisory committee, enabling the committee to consider the cumulative impacts of related topics on both the agency and its stakeholders. Advisory committees often establish subcommittees within the standing advisory committee, if more specific input or expertise is needed.

The use of separate advisory committees for each topic can also cause administrative burdens, as it can be difficult for an agency to staff and manage so many active committees. The agency estimates it conducted 96 meetings of advisory committees in fiscal year 2011, conservatively

---

*The Coordinating Board held 96 advisory committee meetings in fiscal year 2011, representing 3,200 staff hours and costing \$165,000.*

---

representing more than 3,200 staff hours at a cost of more than \$165,000. Beyond agency staff's time spent attending and preparing for these meetings, more than 500 committee members, mostly from institutions, also take time away from their day-to-day activities and pay their own travel costs to provide feedback. Obtaining stakeholder input through advisory committees is an important tool for an agency, but advisory committees must be well-managed to ensure their efficiency and effectiveness.

**The Coordinating Board's methodologies for allocating financial aid lack appropriate controls and transparency, increasing the potential for misallocation of funds.**

---

*The agency misallocated over \$4.3 million in TEXAS Grant funds in fall 2011.*

---

In fall 2011, the agency miscalculated allocations for TEXAS Grants, involving more than \$4.3 million in funds and hundreds of student awards across nine institutions.<sup>11</sup> This allocation error occurred despite several recent audits that directed the Coordinating Board to strengthen its internal processes to control for potential errors in funding allocations. In 2011, the Coordinating Board's Internal Auditor found controls lacking in the Texas Educational Opportunity Grant Program to prevent unauthorized access, disclosure, modification, or deletion of the grant allocation data and recommended the agency protect current and previous spreadsheets from potential harm.<sup>12</sup> In 2009, the State Auditor's Office found that the Coordinating Board did not have sufficient allocation documentation, and recommended the agency improve its written policies and procedures for allocating TEXAS Grants and College Access Loans.<sup>13</sup>

A common practice among other state agencies that determine funding allocations is to adopt allocation methodologies in rule to allow for public comment and promote transparency in funding policy. Institutions cannot gauge whether their allocations are appropriate, or if errors have occurred, if methodologies are not transparent. The Coordinating Board has not adopted allocation methodologies in rule for any of the seven financial aid programs for which it makes allocations to institutions. As such, institutions may struggle to understand how much financial aid to expect, whether their allocation is correct, and whether the agency's methodologies are applied fairly. While statute specifies some elements of the largest financial aid programs, such as award amounts, the full methodology for allocation determinations should be clear to institutions and the public.

---

*In fall 2011, the Commissioner significantly changed the method for allocating TEXAS Grants without public input.*

---

The agency also missed a critical opportunity to gain stakeholder input in a recent decision to change the allocation methodology for TEXAS Grants. In fall 2011, the Commissioner significantly changed the TEXAS Grant methodology in several ways, all without any public opportunity for Board or stakeholder input, as follows.

- Changed the basis for calculating an institution's estimated number of renewal students.



- Moved from a reimbursement process for funding renewal students with a separate allocation for new students to a single funding allocation for both new TEXAS Grant recipients and renewal students.
- Allocated TEXAS Grant funding based on a lower individual award amount — \$5,000 instead of the state's average tuition and fees of \$7,100 — and urged institutions to make individual awards based on a maximum \$5,000 award to accommodate more students.<sup>14</sup> To fund more students, some institutions were put in the difficult position of having to make up the funding difference of smaller award amounts in a time of tight budget constraints, as state law requires institutions to make up the difference between a student's award amount and the actual amount of tuition and fees.<sup>15</sup>

This situation illustrates a clear instance of the agency making a major decision that affected institutions in isolation. In such a case, the agency could have used its financial aid advisory committee to gauge feedback and impacts of the changes or develop a solution more palatable to stakeholders. Regardless of the mechanism, changes to such a prominent financial aid program, especially in light of severe budget cuts, are more appropriately vetted in a public board meeting with opportunities for stakeholder input.

## Recommendations

### *Change in Statute*

#### **1.1 Require one-third of the members of the Board to have experience in the field of higher education.**

This recommendation would require three of the nine public members of the governing board to have experience in the field of higher education governance or administration, such that the Board includes experience from both universities and community or technical colleges. This recommendation would not affect current appointments to the Board. Future appointments should provide that one-third of the Board include public members with experience in higher education governance or administration. Existing statutory provisions related to conflicts of interest would continue to apply to all members of the Board, preventing a person who is employed in the field of education or a person or their spouse who is an officer, employee, or paid consultant in the field of higher education from serving on the Board.<sup>16</sup>

#### **1.2 Require the Coordinating Board to provide opportunities for public comment at each board meeting.**

This recommendation would require the Coordinating Board to specifically provide an opportunity for public comment as an agenda item for its board meetings. To comply with the spirit of Sunset's across-the-board recommendation to allow reasonable opportunities for public comment, this recommendation would also encourage the Coordinating Board to allow public comment before making decisions on any matter on which the agency anticipates significant stakeholder interest.

### **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.**

The Coordinating Board should adopt rules, in compliance with Chapter 2110 of the Texas Government Code, regarding the purpose, tasks, manner of reporting, and abolishment dates for each of its advisory committees, regardless of whether the committee was created in statute or by the agency's governing board or staff. All advisory committees not created by statute should be created by the agency's governing board, as the Government Code requires advisory committees to be established by rule. This recommendation would apply to any committee, council, commission, task force, or other entity whose primary function is advising the Coordinating Board, to ensure its mechanisms for stakeholder feedback are well-managed and as efficient and effective as possible. The agency should also annually evaluate each committee's work, usefulness, and costs related to the committee's existence — including costs of staff time spent in support of committee activities, and report the results of its evaluation to the Legislative Budget Board.

Given the importance of stakeholder feedback to the Coordinating Board's mission, the agency should consider including other important structural criteria, that are not required by law, in either its rules or policy, such as:

- size and quorum requirements of the committees;
- qualifications of the members, such as experience or geographic location;
- appointment procedures for the committees;
- terms of service; and
- a requirement that the committees comply with the Open Meetings Act.

The Coordinating Board would be required to adopt rules to ensure its advisory committees report any recommendations directly to the governing board. The advisory committees should continue to work with the Commissioner and staff as appropriate for administrative functions.

This recommendation would also prohibit board members from serving as members of advisory committees. If board members wish to be deeply involved in activities that are not advisory in nature, such as development of the State's next long-range plan for higher education, the Board should instead create a subcommittee of the Board. Subcommittees of the Board, which should include only board members, allow the Board to give special attention and spend additional time on board responsibilities that may not warrant the time of the full Board. In this manner, a subcommittee could meet more often, receive presentations, and even use an advisory committee to provide regular updates and advice on specific matters on which the Board would like additional expertise.

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

This recommendation would require the Coordinating Board to develop procedures to check for accuracy in applying the allocation formulas, to guide staff in allocating financial aid funding to institutions to prevent potential errors. The agency should also consider adopting more sophisticated technological means of managing its fund allocations as it updates its information systems, including technologies that allow for built-in controls, such as pre-populated fields.

This recommendation would also require the Coordinating Board to formally adopt rules identifying allocation methodologies for all financial aid programs for which the agency makes allocations. Elements of the rulemaking process, including posting rules in the Texas Register and obtaining public comment on changes, should make the agency's allocation methodologies more transparent to the public and institutions receiving funds. The agency should work collaboratively with affected stakeholders before making changes to its rules.

### ***Management Action***

#### **1.5 Direct the Coordinating Board to restructure and reduce its number of advisory committees.**

The Coordinating Board should restructure and reduce its number of advisory committees to move from a multitude of narrow, topic-specific committees to a smaller number of standing committees with broad-based jurisdiction. Restructuring the agency's advisory committees to be more efficient and effective would reduce the number of committees, and the number of stakeholders serving on advisory committees — which currently total more than 500 people. However, the result would be increased focus and quality of stakeholder input, more easily managed by agency staff.

### **Fiscal Implication**

These recommendations would not have a fiscal impact to the State.

- 
- 1 Section 61.002(a), Texas Education Code.
- 2 Sections 61.051(a-2), 61.051(a-3), 61.066, Texas Education Code.
- 3 Section 61.022(b) and 61.0225, Texas Education Code.
- 4 Section 61.028, Texas Education Code.
- 5 Section 61.026, Texas Education Code.
- 6 Section 61.051(a), Texas Education Code.
- 7 Section 61.025(d), Texas Education Code.
- 8 Section 325.011, Texas Government Code.
- 9 Section 2110.001, Texas Government Code.
- 10 Chapter 2110, Texas Government Code.
- 11 Liz Farmer, "Miscalculation Means Less Financial Aid for Students," *The Daily Texan*, December 6, 2011, <http://www.dailytexanonline.com/news/2011/12/06/miscalculation-means-less-financial-aid-students>.
- 12 Texas Higher Education Coordinating Board Office of Internal Audit, *An Internal Audit Report on the Texas Educational Opportunity Grant Program*, (Austin: The Texas Higher Education Coordinating Board, 2011), p. 1.
- 13 Texas State Auditor's Office, *An Audit Report on Selected State-funded Student Financial Aid Programs at Seven Higher Education Institutions and the Higher Education Coordinating Board* (November 2009), accessed October 28, 2012, <http://www.sao.state.tx.us/reports/main/10-015.pdf>.
- 14 Section 56.307, Texas Education Code. State law requires TEXAS Grant awards to be equal to the average statewide tuition and fees. The law does allow institutions to make awards less than the state average tuition and fees. However, institutions must make up any difference between a student's TEXAS Grant award amount and the actual amount of tuition and fees.
- 15 Section 56.307(j), Texas Education Code.
- 16 Sections 61.022(b) and 61.0222, Texas Education Code.

# RESPONSES TO ISSUE 1

## Overall Agency Response to Issue 1

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

## Recommendation 1.1

*Require one-third of the members of the Board to have experience in the field of higher education.*

### Agency Response to 1.1

Agree, on the condition that the definition of “higher education experience” includes governance, administration, and leadership throughout the P-16 education pipeline. Limiting higher education experience to individuals who have been employed by an institution or have served on a governing board will narrow the talent pool of future appointees who have served in other P-16 education leadership roles.

### Agency Modification

1. Require three of the nine board members to have experience in higher education governance, administration, or leadership throughout the P-16 education pipeline, rather than just higher education governance and administration.

(Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### For 1.1

William Cherry, Associate Professor – University of North Texas, Aubrey

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

### Against 1.1

Bill Hammond, President – Texas Association of Business, Austin

## Recommendation 1.2

*Require the Coordinating Board to provide opportunities for public comment at each board meeting.*

### Agency Response to 1.2

Agree. The Texas Higher Education Coordinating Board (THECB) is currently developing policies and procedures for allowing public testimony at public meetings of the full Board and

Board committees. The THECB plans to implement a formal process for public testimony at the April 2012 Board meeting. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 1.2**

William Cherry, Associate Professor – University of North Texas, Aubrey

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

#### **Against 1.2**

None received.

### **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.*

#### **Agency Response to 1.3**

Agree, except for the provision prohibiting board members from serving on advisory committees. On the rare occasions that board members serve on advisory committees, this has proven to be very helpful in increasing board members' knowledge of the issues, leading to more informed decision-making. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **Agency Modification**

2. Allow members of the governing board to serve on advisory committees. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 1.3**

William Cherry, Associate Professor – University of North Texas, Aubrey

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

#### **Against 1.3**

None received.

#### **Modification**

3. Require the Coordinating Board to demonstrate that they have implemented and followed a diversity inclusion plan for its advisory committees to ensure maximum participation among stakeholders that represent economically disadvantaged students. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

**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 in rule.*

**Agency Response to 1.4**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 1.4**

William Cherry, Associate Professor – University of North Texas, Aubrey

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

Carol McDonald, President – Independent Colleges and Universities of Texas, Austin

**Against 1.4**

None received.

**Modification**

4. Forward fund state financial aid programs at least one year in advance of a biennium to ensure the Coordinating Board has sufficient time to allocate funds to institutions, enabling institutions to notify students of financial aid offers in time to impact a student's college choice. Funding levels for financial aid programs would be set for three academic years (funding levels for fiscal years 2014, 2015, and 2016 would be set during the 2013 legislative session), but the Legislature would only appropriate funds for the first two years. Subsequent legislatures would set funding levels for the last year of the biennium and the first year of the following biennium. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

**Recommendation 1.5**

*Direct the Coordinating Board to restructure and reduce its number of advisory committees.*

**Agency Response to 1.5**

Disagree. The THECB recognizes that its advisory committees can be streamlined; however, disagrees that significantly reducing its current advisory committee structure into a small number of broad-jurisdiction committees would be a net benefit. In fact, the agency states that this change could have the opposite effect of the outcome desired by shutting out those

institutional representatives best qualified to provide input on particular topics. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**Staff Comment:** The Coordinating Board currently has 37 advisory committees involving over 500 committee members.

**For 1.5**

William Cherry, Associate Professor – University of North Texas, Aubrey

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

**Against 1.5**

None received.



# COMMISSION DECISION ON ISSUE 1

(JUNE 2012)

Adopted Recommendations 1.1 through 1.5.

# FINAL RESULTS ON ISSUE 1

(JULY 2013)

## ***Legislative Action — S.B. 215***

**Recommendation 1.1** — The Legislature did not adopt the provision to require one-third of the members of the Board to have experience in the field of higher education governance or administration.

**Recommendation 1.2** — Senate Bill 215 requires the Coordinating Board to provide opportunities for public comment as an agenda item for each board meeting.

**Recommendation 1.3** — The bill requires 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.

**Recommendation 1.4** — The Legislature modified the provision to require the Coordinating Board to strengthen its internal controls for allocating funds and ensure stakeholder input by requiring the Coordinating Board to adopt allocation methodologies in rule for both financial aid and other trusteed funds.

## ***Management Action***

**Recommendation 1.5** — Directs the Coordinating Board to restructure and reduce its number of advisory committees.



## ISSUE 2

### *Outdated and Unnecessary Statutory Provisions Divert the Agency's Focus From Its Core Functions as a Higher Education Coordinating Entity.*<sup>1</sup>

#### Background

Since the Legislature created the Coordinating Board nearly 50 years ago, it has been adding onto the agency's statutory duties with a variety of planning functions, regulatory approvals, reporting requirements, and programs. Over time, all of these additions have begun to weigh the agency down to the point that its core functions as a higher education coordinating entity have been obscured. Sunset evaluated the ongoing need for and usefulness of all of these statutory requirements, as well as initiatives the agency has taken on itself that create unnecessary burdens on higher education institutions or that could be performed by others. Through this evaluation, Sunset staff identified the following problems.

#### Findings

##### **Statutory provisions describing the agency's powers and duties no longer reflect its core functions or the day-to-day activities of the agency, and are needlessly long and convoluted.**

The Coordinating Board's enabling statute lacks a clear, concise description of the agency's major functions. The first section of the subchapter on the agency's powers and duties defines at least 18 different duties, most of which are obsolete, addressed elsewhere in statute, or do not reflect current thinking on higher education policy or how the agency carries out the function today.<sup>1</sup>

Without a clear definition of the agency's duties in statute, agency management and staff, the Legislature, and stakeholders may have different interpretations of the agency's priorities. Further, the Legislature may seek to add new responsibilities that do not fit with the agency's core responsibilities or priorities or that result in duplication of effort. So many varied and disconnected functions in statute distracts the agency from the important functions of a higher education coordinating body. This concern was raised by Aims McGuinness, a nationally recognized expert on higher education governance with the National Center for Higher Education Management Systems, before a joint legislative committee in September 2011.<sup>2,3</sup> The textbox, *According to Dr. McGuinness...*, quotes his white paper to the committee, illustrating the concern that the Coordinating Board has difficulty focusing on the key functions of a coordinating entity.<sup>4</sup>

##### **According to Dr. McGuinness...**

"Most of the staff capacity and workload of the [Coordinating Board] remains dominated by administrative and regulatory functions. Only limited state support is provided for the key policy leadership role."

"Legislatively mandated studies, many dating back several years, dominate the [Coordinating Board's] policy and analytic capacity. Resources spent responding to these requests diverts attention from strategic planning and policy analysis unrelated to the specific requests."

---

*The agency best serves the state by only performing functions that cannot be carried out by institutions.*

---

Sunset staff concluded that the Coordinating Board best serves the state by performing functions that cannot be objectively carried out by institutions and that only its position as a statewide coordinating entity allow. These functions include offering a statewide perspective on needs for and distribution of higher education resources; providing analysis and recommendations on how to align state spending on higher education with the statewide goals of *Closing the Gaps by 2015* and subsequent long-range plans; aggregating statewide data to support policy recommendations; and improving student transitions, such as between high school and college, between institutions for transfer purposes, or between college and the workforce.

**Overlapping and outdated statutory requirements for various higher education planning reports do not provide clear direction for the agency's single, comprehensive plan and create unnecessary work for the agency.**

The Coordinating Board's enabling statute contains seven different requirements for the agency to prepare plans and make recommendations on the higher education needs of the state. The textbox on the following page, *Reporting Requirements Related to Higher Education Planning*, lists all current statutory planning requirements. The agency meets these requirements through several reports that it publishes regularly and through information and data provided on its website. The agency also includes recommendations related to funding for higher education in its *Formula Funding Recommendations* and *Legislative Appropriations Request*.

Instead of the five-year master plan required in statute, the Coordinating Board developed the 15-year *Closing the Gaps* plan, which it has updated twice, at five-year intervals. Although the agency incorporated several best practices, such as consulting stakeholders, in developing *Closing the Gaps*, statute does not reflect these planning practices. As a result, the State cannot ensure the agency incorporates these best practices in the development of future plans. Rather than a biennial report as statute requires, the agency produces annual progress reports on *Closing the Gaps*. However, these limited reports only provide data pertaining to the plan's long-range goals and do not report on other elements required by statute, including progress in meeting the plan's strategies and recommendations for helping the state meet the plan's goals.<sup>5</sup>

Several statutory requirements direct the agency to identify needs for higher education services for the state and for individual regions. Preparing these plans constitutes a significant use of valuable agency resources without actually meeting the intent of the statutory requirements. To illustrate, while the agency provides data and other information on existing higher education resources through various reports and its website, it does not go so far as to suggest needs that are not being met in certain areas. As a specific example, the agency's *Regional Plan for Texas Higher Education* does not include a

---

*Statute does not ensure the use of best practices, such as gathering stakeholder input, when developing higher education plans.*

---

description of needs or specific recommendations for legislative action to address a region's unmet need for higher education services or the physical needs at each campus, as required in statute.<sup>6,7</sup>

### **Reporting Requirements Related to Higher Education Planning**

- **Five-Year Master Plan for Higher Education** – Statute provides no guidance on what should be included in the plan, but in periodically reviewing and revising the plan, statute directs the agency to identify and analyze the degree to which the plan reflects the continuing higher education needs of the state and any policy changes necessary to improve implementation of the plan. Requires the agency to identify additional strategies necessary to achieve the goals of the master plan, emphasizing implementation by institutions and specific recommendations for different regions of the state. Requires the agency to notify each institution of all strategies for implementing the plan.<sup>8</sup>
- **Biennial Report on the State of Higher Education in Texas** – Requires the agency to assess the state's progress in meeting the goals in the master plan and provide recommendations for legislative action to assist the state in meeting those goals.<sup>9</sup>
- **Biennial Report on Higher Education Funding System** – Requires the agency to make findings and recommendations regarding the degree to which the current higher education funding system supports the implementation of the five-year master plan.<sup>10</sup>
- **Long-Range Higher Education Regional Plan** – Requires the agency to provide information and guidance to policy makers to ensure that institutions meet the current and future needs of each region of the state and that adequate services are reasonable and equally available to the residents of each region. Requires the agency to report on the plan each biennium.<sup>11</sup>
- **Reports on Higher Education Financial Needs** – Requires the agency to make continuing studies of the financial needs of public higher education and all services and activities of the institutions.<sup>12</sup>
- **Achievement of Excellence Studies** – Requires the agency to make studies and recommendations directed toward the achievement of excellence or toward improved effectiveness and efficiency in any phase of higher education.<sup>13</sup>
- **Biennial Report on New and Restructured Programs in Higher Education** – Requires the agency to discuss new programs in higher education and restructuring existing programs to meet the changing needs of the populace, including recommendations regarding the physical needs at each campus.<sup>14</sup>

### **The Coordinating Board's statutory authority to approve academic programs is unclear, creating confusion for the agency, institutions of higher education, and the public.**

To reduce costly duplication among Texas public institutions and ensure program offerings meet the needs of students in Texas, the Coordinating Board's statute authorizes the agency to approve various academic and workforce programs and the overall missions of institutions.<sup>15</sup> However, statute is disjointed, and sometimes contradictory, with different types of approval authority spread throughout the Coordinating Board's powers and duties chapter. The following material outlines specific provisions that are unclear or unnecessary.

- **Degree and certificate approval.** Statute does not reflect the Coordinating Board's current approach to approval of academic and workforce programs, even though program approval is one of the agency's

most concrete functions. Statute does not clearly list all of the criteria the Coordinating Board uses in evaluating degree and certificate programs. The lack of clarity regarding the agency's authority to approve a program may cause confusion for institutions in knowing what standards a program must meet for approval, and for what reasons the agency may deny a program.<sup>16</sup>

---

*Statute does not list all of the criteria the agency uses in evaluating degree programs.*

---

Statute also does not clearly distinguish between the various types of review and time frames the agency applies in practice. Statute provides for a review of present and future needs at least every four years, but also gives the agency authority to initiate, consolidate, or eliminate programs not meeting the best interests of the institutions, state, or counties, or when the action offers hope of achieving excellence.<sup>17</sup> In practice, the agency's full review of existing degree and certificate programs to evaluate their continuing need and proper resources is aligned, for efficiency purposes, with accreditation reviews that occur, typically, every seven to 10 years. The agency also conducts more limited, annual reviews of the numbers of graduates that programs produce to identify programs that the state may no longer need or that may be too costly to operate with state funds.

Another concern is that state law requires institutions to *notify* the agency when beginning preliminary planning for a new degree program or new organizational unit, but does not clearly authorize the agency to *approve* plans for new programs. The lack of statutory clarity related to preliminary authority for a degree program causes duplication and confusion for institutions trying to comply with state law. A clear need exists for the Coordinating Board to review and approve plans for new programs to prevent institutions from expending significant resources planning for unnecessary new programs, but numerous approval processes are not necessary. In addition to degree program approval, institutions submit proposed programs through two other processes: approval of degree program tables and approval of new schools or departments.

---

*Several academic approval processes are duplicative and unnecessary.*

---

Degree program tables simply list all programs offered or planned by an institution. The agency uses degree program table review as another means to identify planned programs, but the review serves no other purpose and places an unnecessary burden on institutions. Coordinating Board staff already reviews plans for new programs submitted by institutions as part of the degree program approval process. Requiring the Coordinating Board to review each public institution's degree program table every four years duplicates the agency's degree program approval.<sup>18</sup>

Approval of new schools or departments initiated by institutions also results in a meaningless review process. Two different provisions of statute require the Coordinating Board to approve new schools or departments at public institutions, with the only criterion for evaluation being whether they are adequately financed.<sup>19</sup> The Coordinating Board approves almost all requests for new administrative units, as they are most commonly only

organizational changes at an institution, denying only two requests out of 428 in fiscal years 2009 through 2011. The agency can better address costly or unnecessary new schools or departments through its degree program approval.

The Coordinating Board's certificate and degree approval process allows the agency to enforce its decisions for program approval by denying funding for or closing a program that has not obtained agency approval. In contrast, its reviews of degree program tables and new schools or departments waste valuable staff time and resources, result in unnecessary steps for institutions, and lack enforcement authority.

- **Role and mission of institutions.** Conflicting statutory provisions related to institutions' missions cause confusion and wasted effort by institutions and the Coordinating Board. Statute requires the Coordinating Board to develop, after public hearing and consultation with the governing board of the institution, the role and mission of each institution and make subsequent changes to the mission, as requested by the institution.<sup>20</sup> A separate, conflicting statutory provision requires each institution to develop its own mission statement.<sup>21</sup> Statute also requires the Coordinating Board to review the role and mission statement of each public institution at least every four years, with involvement by the chairperson of the institution's board of regents.<sup>22</sup>

The Coordinating Board fulfills these statutory duties by reviewing and approving mission statements submitted by institutions. Between fiscal years 2009 and 2011, the agency reviewed 33 mission statements and recommended changes to one, for grammatical reasons. Sunset staff found no need for the Coordinating Board to develop the role and mission of public institutions, as an institution is best-suited to develop its mission. Sunset concluded that the appropriate role for the Coordinating Board is to conduct a periodic, comprehensive review of the role and mission of Texas' public universities as a whole to ensure that institutions' missions meet the present and future higher education needs of the state.

- **Courses offered outside Texas.** Requiring the Coordinating Board to approve courses offered in other states and countries provides no value to the State. Statute requires the Coordinating Board to approve all off-campus courses offered for credit by Texas institutions of higher education, which allows the agency to ensure that institutions do not duplicate each other's programs by offering courses away from their campuses.<sup>23</sup> However, the requirement includes courses offered outside of Texas, in other states or countries. Courses offered outside the state, such as through study abroad programs, generally do not duplicate offerings by other Texas institutions, and the Coordinating Board ensures the quality of these courses through academic standards with which universities certify compliance. The agency treats this review as a rubber stamp and approves all course requests with little to no actual review.

---

*Between 2009 and 2011, the agency reviewed 33 mission statements, and recommended changes to one, for grammatical reasons.*

---



---

*Approving courses offered in other states and countries provides no value to the State.*

---

**Statute contains many unfunded or unnecessary programs that detract from the Coordinating Board’s core functions.**

Over the years, the Legislature has added many programs to the Coordinating Board’s statute. However, funding for the programs has been inconsistent at best. Today, 19 programs, several with requirements for advisory committees and reports, are inactive because they are not funded.<sup>24</sup> Seventeen of the programs were never funded, and the remaining two have not been funded in the last five years.<sup>25</sup> The table, *Unfunded Programs*, provides a list of all 19 programs.

***Unfunded Programs***

Advanced Technology Program <sup>26</sup>	Medical Preparation Program (MedPREP) <sup>27</sup>
Early Childhood Child-Care Worker Student Loan Repayment Program <sup>28</sup>	Roberta High Memorial Pharmacy Residency Program <sup>29</sup>
Engineering and Science Recruitment Fund <sup>30</sup>	Public Senior College or University Cooperative Education Program <sup>31</sup>
Engineering Excellence Fund <sup>32</sup>	Repayment of Certain Physical Therapist Education Loans <sup>33</sup>
Tuition Assistance for the Vocational Nursing Students Agreeing to Practice in Long-Term Care Facilities <sup>34</sup>	Teacher Training Programs for Teachers of Disadvantaged Students <sup>35</sup>
Grants for Teaching and Education Research <sup>36</sup>	Technology Workforce Development <sup>37</sup>
High Priority Program Fund <sup>38</sup>	Texas Academy of Foreign Languages and Culture <sup>39</sup>
Higher Education Enrollment Assistance Program <sup>40</sup>	Texas Partnership and Scholarship Program <sup>41</sup>
Incentive and Special Initiative Funding <sup>42</sup>	Texas-International Educational Development Program <sup>43</sup>
Texas-Mexico Educational Development Program <sup>44</sup>	

In addition, a program that is funded, but unnecessary, is the Research Assessment Program. This program is not meeting the purpose for which the Legislature intended. Established in 1987, the program requires the Coordinating Board to evaluate research programs in all public institutions every two years.<sup>45</sup> With assistance from an advisory committee, the agency reports its findings and recommendations to the Legislative Budget Board (LBB) on whether to reauthorize, revise, or discontinue each research program. LBB staff indicate that this information has not been useful in preparing the budget in at least the last nine years.

**Statute requires the Coordinating Board to prepare reports that are no longer necessary and detract from the agency’s core functions.**

As required by the Sunset Act, Sunset staff reviewed the Coordinating Board’s statutory reporting requirements, and found that the Coordinating Board is required to produce 37 reports, many of which continue to be useful.<sup>46</sup> Appendix D, *Texas Higher Education Coordinating Board Reporting*



*Requirements*, provides a comprehensive list of all reporting requirements and Sunset staff's analysis. Several reporting requirements are addressed earlier in this issue. For the remaining requirements, Sunset staff spoke with report recipients and agency staff to assess their need. The analysis showed that four reporting requirements are no longer necessary, take focus away from more important agency functions, and potentially waste agency resources. A discussion of these four reporting requirements follows.

- ***Report on Student Loan Funds.*** Statute requires the Coordinating Board to provide the Texas Bond Review Board with performance information on student loans, the Texas College Interest and Sinking Fund, and any other interest and sinking funds held by the agency.<sup>47</sup> However, the Bond Review Board never adopted rules specifying the filing date and contents of the report. As a result, the Coordinating Board has never issued this report. The Bond Review Board confirmed that the reporting requirement is no longer necessary.
- ***Report on Restricted Research Expenditures.*** Statute requires the Coordinating Board to report on the amount of restricted research funds eligible institutions use each year.<sup>48</sup> Statute names the Comptroller as the recipient of the report. However, the LBB, not the Comptroller, is responsible for using the information to allocate research development funds. The LBB uses raw data collected directly from the Coordinating Board to allocate the funds and does not require the agency to prepare a stand-alone report including this information. The Comptroller's office confirmed that the reporting requirement is no longer necessary.
- ***Texas Opportunity Plan Report.*** Statute directs the Coordinating Board to provide information to the Governor and the Legislature on the operations of the Texas Opportunity Plan and the Student Loan Auxiliary Fund.<sup>49</sup> The agency does not produce this report, but includes the required information in its *Report on Student Financial Aid in Texas Higher Education* and performance measure reports to the LBB, and on its website. One piece of information required in the report violates the Federal Education Rights and Privacy Act. Sunset staff found that this separate report is unnecessary.
- ***Progress Report on P-16 College Readiness and Success Strategic Action Plan.*** Statute requires the Coordinating Board and the Texas Education Agency to provide an update on the progress of the two agencies in implementing college readiness initiatives.<sup>50</sup> However, the Legislature did not provide funding for new college readiness initiatives for the 2012–13 biennium. As a result, both agencies believe that the reporting requirement is no longer necessary. However, Sunset staff concluded that, since the Coordinating Board plans to continue its college readiness initiatives using federal and private funding, the agency should address these initiatives as part of its larger agency-wide strategic plan, as discussed in Issue 3, and should continue to coordinate with the Texas Education Agency as necessary. Thus, this separate report is no longer necessary.

---

*Four reporting requirements are no longer necessary and waste agency resources.*

---

**The Coordinating Board lacks a process to periodically re-evaluate, with stakeholder input, the ongoing need for all of its existing requests for data from institutions.**

The Coordinating Board collects significant amounts of data from higher education institutions to help it comply with its statutory reporting requirements and to conduct analysis to support policy recommendations. Over time, the agency has added additional data requests to its rules and policies without regularly assessing the continuing need for already existing data requests. While the agency has a committee to review new or revised data requests, and has eliminated numerous reports over the years, it does not have a process for re-evaluating all of its existing reporting requirements on a periodic basis.

---

*Recent legislation requires a one-time evaluation of data requests, but no reassessment in the future.*

---

Recently, the Legislature directed the agency to evaluate the requirements to report information it imposes on institutions through rule and policy. To comply, the Coordinating Board will need to evaluate all of its reporting requirements and justify the need to continue them by adopting or readopting the requirements through the State's formal rulemaking process. This process will go a long way towards addressing concerns about ensuring the need for all requirements, but is only a one-time evaluation and does not require the agency to seek stakeholder input as part of its evaluation before going through rulemaking.<sup>51</sup> While this one-time evaluation will benefit both institutions and the agency, these benefits could be enhanced by reassessing the requirements on a regular basis, with input from stakeholders.

**The Coordinating Board administers numerous pilot initiatives that may not be necessary.**

One of the Coordinating Board's many functions is to compile best practices to share with institutions and to help scale those best practices across the state. To accomplish this, the agency keeps up with various initiatives and research in higher education performed by external entities. Over time, the Coordinating Board has become inundated with programs and initiatives that it administers or oversees to identify best practices itself, especially pilot projects in the agency's P-16 Initiatives Division. Many of these programs, at least 32, came about through an influx of state funding for college and career readiness beginning in 2008 and ending this biennium, unless continued through other funding sources.

---

*The agency created at least 32 separate initiatives to address college and career readiness.*

---

Conducting research and piloting strategies to meet goals such as increasing student participation and success is important, but these programs are also performed by non-profit organizations partnering with institutions, without involvement of the Coordinating Board. Initiating its own pilot projects could create potential duplication of, or competition with, similar programs performed by other entities. Administering its own programs could also potentially bias agency staff against best practices found through programs administered by external entities.

Rather than piloting projects to develop best practices itself, the Coordinating Board's more appropriate role is to offer a statewide perspective for planning and policy development and carry out functions that can only be performed by a statewide coordinating entity, and cannot be performed by another entity. The Coordinating Board best serves as a resource to institutions of higher education for best practices resulting from initiatives independently piloted by other entities, and then working to scale the resulting best practices across the state — not by piloting its own programs.

## Recommendations

### ***Change in Statute***

#### **2.1 Redefine the Coordinating Board's powers and duties in statute to reflect the major functions of a modern higher education coordinating entity.**

This recommendation would replace Texas Education Code, Section 61.051 with a concise list of the agency's major duties. In place of the current statutory language, the agency would represent the highest authority in the state in matters on public higher education and promote quality education throughout the state by:

- providing a statewide perspective to ensure the efficient and effective use of higher education resources and to eliminate unnecessary duplication;
- developing and evaluating progress toward a long-range plan for higher education and providing analysis and recommendations to link state spending on higher education with the goals of the long-range plan;
- collecting and making accessible data on higher education in the state and aggregating and analyzing data to support policy recommendations;
- making recommendations to improve the efficiency and effectiveness of transitions, such as between high school and college, between institutions for transfer purposes, or between college and the workforce; and
- administering programs and trusteed funds for financial aid and other grants as necessary to achieve the state's long-range goals and as directed by the Legislature.

A detailed accounting of what changes are needed to this section of statute is located in Appendix E, *Sunset Staff Recommendations for the Coordinating Board's Powers and Duties*.

#### **2.2 Redefine long-range planning for higher education in statute.**

This recommendation would eliminate all existing statutory requirements for higher education planning, as listed in the textbox on page 23, *Reporting Requirements Related to Higher Education Planning*. Instead, the agency would be required to develop one long-range plan for higher education, which would mirror the agency's current efforts related to *Closing the Gaps*. Statute would define essential elements of the plan to include the following.

- Long-term, measurable goals and strategies for implementing the goals.
- An assessment of the higher education needs in different regions of the state.

- Regular updates, as needed, of the plan to ensure goals and strategies are still relevant.
- Methods to obtain input on the plan and its revisions from stakeholders and the general public.
- Biennial progress reports, due December 1 of even-numbered years, to the Governor, Lieutenant Governor, Speaker, and substantive committees of the Legislature. These reports should contain data on progress toward meeting the long-term goals; updates on implementation strategies; and recommendations for legislative action, including changes to statute and funding, to help the state meet the goals.

### **2.3 Update the Coordinating Board's statute to clearly define its academic program approval authority in one section of law.**

This recommendation would create a new section of statute within the agency's enabling statute, Subchapter C, *Powers and Duties of Board*. The new section would consolidate the agency's certificate and degree program approval and authority as follows.

- The Coordinating Board would have the authority to approve all new degree programs and certificate programs at public institutions of higher education, using the following criteria.
  - The program is needed by the state and the local community, and does not unnecessarily duplicate programs offered by other public institutions.
  - The program has adequate financing.<sup>52</sup>
  - The program has necessary faculty and other resources to ensure student success.
  - The program meets academic standards prescribed by the Board or workforce standards set by the Texas Workforce Investment Council. The Board would adopt, by rule, any additional academic standards not specified in law.
- Institutions must secure preliminary approval for a new degree program from the Coordinating Board, rather than just notifying the Coordinating Board, before applying for full program approval.<sup>53</sup>
- The Coordinating Board would be required to review existing certificate and degree programs at least every 10 years to ensure programs still meet the criteria listed above for new programs. The Coordinating Board would also review the graduation rates of degree and certificate programs at least every four years, and would be authorized to consolidate or eliminate unneeded degree and certificate programs based on the same criteria outlined above, including the program's annual graduation rate.
- The Coordinating Board would have the authority to:
  - require public institutions to report administrative changes to organizational units, including new schools or departments or transfers of programs within schools or departments, for use in approving certificate and degree programs and data reporting;
  - require public institutions to submit off-campus courses offered for credit within the state, as well as distance education courses, for approval; and

- maintain academic standards for courses offered outside the state, and require institutions to certify that these courses meet the Coordinating Board’s criteria, although certification would be done as part of regular data reporting by institutions.
- The Coordinating Board would periodically evaluate the role and mission of all public four-year institutions in conjunction with development of the long-range plan for higher education in Recommendation 2.2. The purpose of this review would be to ensure the role and mission of public institutions as a whole contribute to the State’s long-range goals for higher education and to inform the Board’s assessment of unmet needs in the state.

The Coordinating Board would no longer approve new schools or departments at public institutions; review degree program tables submitted by public institutions; approve mission statements; or approve out-of-state, off-campus courses for credit offered by public institutions.

#### **2.4 Eliminate 20 unfunded and unnecessary programs from statute.**

This recommendation would remove 19 unfunded programs listed in the textbox on page 26, *Unfunded Programs*, and the unnecessary Research Assessment Program from statute. By eliminating the Research Assessment Program, the Coordinating Board would no longer be required to review and evaluate institutions’ research programs, maintain the related advisory committee, or submit the required report. This change would remove all statutory language related to the unfunded programs and the Research Assessment Program.

#### **2.5 Eliminate four unnecessary reporting requirements, but continue 18 that still serve a purpose.**

This recommendation would continue all necessary reporting requirements and removes four unnecessary reports currently in statute. Specifically, this recommendation would eliminate the following reports:

- *Report on Student Loan Funds*;
- *Report on Restricted Research Expenditures*;
- *Texas Opportunity Plan Report*; and
- *Progress Report on P-16 College Readiness and Success Strategic Action Plan*.

This change would remove all statutory language related to these reporting requirements. Appendix D, *Texas Higher Education Coordinating Board Reporting Requirements*, provides detail on each reporting requirement and Sunset staff’s recommendation on whether to eliminate or continue the requirements. To comply with a recent change in law, the agency should ensure that all of its reports, and notices that reports are available, are provided to the Legislature in an electronic format only.<sup>54</sup>

#### **2.6 Require the Coordinating Board to periodically re-evaluate the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.**

This recommendation would build on Senate Bill 5, 82nd Legislature, by requiring the Coordinating Board to re-evaluate its rules and policies every five years to ensure the continuing need for the data requests it imposes on institutions. In conducting these evaluations, the agency would be required to consult with institutions to identify unnecessary requests or ways to streamline those requests. The Coordinating Board should then remove, from rule and policy, data requests identified as unnecessary.

## **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.**

This recommendation would provide that the Coordinating Board no longer be involved in administering or overseeing programs to identify best practices, except in cases where funding or other restrictions prevent entities other than the agency from administering the programs. The Coordinating Board would refrain from initiating new pilot projects unless it can justify that other entities, such as non-profits or institutions, are not engaging in similar projects or that the initiative cannot be performed by another entity. The Coordinating Board could still use its position as a statewide coordinator to help match non-profit organizations or grant-funding entities with institutions to help scale proven programs and best practices. The Coordinating Board would continue to compile best practices and strategies resulting from its review of external studies for use in providing technical assistance to institutions, and as the basis for its statewide policy recommendations.

### **Fiscal Implication**

None of these recommendations would have an overall fiscal impact to the State. The intent of these recommendations is to provide a clearer focus to the Coordinating Board's statutory responsibilities, which should result in more efficient use of agency resources. For example, eliminating several reporting and planning requirements and the Research Assessment Program would allow the agency to use staff resources previously spent on those activities on more useful functions instead. However, a specific amount of savings from eliminating these activities could not be estimated. Further, while removing the 19 unfunded programs from statute would not directly affect the agency's budget, as these programs have not been funded in years, it would reduce budgetary pressures to fund them in the future.

- 1 Section 61.051, Texas Education Code.
- 2 "Aims C. McGuinness, Jr.," National Center for Higher Education Management Systems, accessed January 26, 2012, [www.nchems.org/about/staff.php?name=aims](http://www.nchems.org/about/staff.php?name=aims).
- 3 Aims McGuinness, Senior Associate, National Center for Higher Education Management Systems, testimony before the Joint Committee on Oversight of Higher Education Governance, Excellence, and Transparency (Austin, TX, September 21, 2011).
- 4 National Center for Higher Education Management Systems, "Governance, Accountability, and Transparency in Higher Education: Excellence Through Shared Responsibility; Draft White Paper in Response to Texas House Bill 9" (September 28, 2011), p. 13, included as Appendix B in Texas Higher Education Coordinating Board, *Preliminary Report to the Joint Oversight Committee on Higher Education Governance, Excellence, and Transparency* (Austin: Texas Higher Education Coordinating Board, September 2011).
- 5 Texas Higher Education Coordinating Board, *Closing the Gaps Progress Report 2011*, accessed February 3, 2012, <http://www.thecb.state.tx.us/reports/PDF/2357.PDF?CFID=22330380&CFTOKEN=43360245>.
- 6 Sections 61.051(i) and 61.066(b), Texas Education Code.
- 7 Texas Higher Education Coordinating Board, *2010 Regional Plan for Texas Higher Education*, accessed February 3, 2012, <http://www.thecb.state.tx.us/reports/PDF/2070.PDF?CFID=22330380&CFTOKEN=43360245>.
- 8 Section 61.051(a-1) and (a-2), Texas Education Code.
- 9 Section 61.051(a-3), Texas Education Code.
- 10 Section 61.059(i-1), Texas Education Code.
- 11 Section 61.051(i), Texas Education Code.
- 12 Section 61.059(i), Texas Education Code.
- 13 Section 61.066(a), Texas Education Code.
- 14 Section 61.066(b), Texas Education Code.
- 15 Section 61.051, Texas Education Code.
- 16 Sections 61.051(e), 61.0512, and 61.055(a), Texas Education Code.
- 17 Sections 61.051 (d), Texas Education Code.
- 18 Sections 61.051(e), 61.0512, and 61.055(a), Texas Education Code.
- 19 Sections 61.051(e) and 61.055(a), Texas Education Code.
- 20 Section 61.051(d), Texas Education Code.
- 21 Section 61.0511, Texas Education Code.
- 22 Section 61.051(e), Texas Education Code.
- 23 Section 61.051(j), Texas Education Code.
- 24 Sunset staff only considered unfunded programs created in 2005 and earlier. Unfunded programs that have been created since 2005 were not included in this analysis.
- 25 The Advanced Technology Program was last funded in the 2004–05 biennium. The Technology Workforce Development Program was last funded in the 2006–07 biennium.
- 26 Chapter 143, Texas Education Code.
- 27 Subchapter Q, Chapter 51, Texas Education Code.
- 28 Subchapter U, Chapter 61, Texas Education Code.
- 29 Subchapter W, Chapter 61, Texas Education Code.
- 30 Subchapter M, Chapter 51, Texas Education Code.

- 31 Section 61.078, Texas Education Code.
- 32 Subchapter J, Chapter 51, Texas Education Code.
- 33 Subchapter K, Chapter 61, Texas Education Code.
- 34 Section 61.660, Texas Education Code.
- 35 Section 61.0631, Texas Education Code.
- 36 Section 51.916, Texas Education Code.
- 37 Subchapter X, Chapter 51, Texas Education Code.
- 38 Chapter 152, Texas Education Code.
- 39 Sections 61.781-61.784, Texas Education Code.
- 40 Section 61.088, Texas Education Code.
- 41 Sections 61.801-61.814, Texas Education Code.
- 42 Section 61.0591, Texas Education Code.
- 43 Chapter 148, Texas Education Code.
- 44 Chapter 147, Texas Education Code.
- 45 Chapter 144, Texas Education Code.
- 46 The Sunset Act, in Sections 325.0075, 325.011(13), and 325.012(a)(4) of the Texas Government Code, establishes a process for state agencies to provide information to the Sunset Commission about reporting requirements imposed on them by law and requires the Commission, in conducting reviews of state agencies, to consider if each reporting requirement needs to be continued or abolished. The Sunset Commission has interpreted these provisions as applying to reports that are specific to the agency and not general reporting requirements that extend well beyond the scope of the agency under review. Reports required by rider to the General Appropriations Act are included as a matter of law, but under a presumption that the appropriations committees have vetted these requirements each biennium. Reporting requirements with deadlines or that have expiration dates are not included, nor are routine notifications or notices, or posting requirements.
- 47 Section 52.17(f), Texas Education Code.
- 48 Section 62.096(c), Texas Education Code.
- 49 Section 52.56, Texas Education Code.
- 50 Section 61.0761(d), Texas Education Code.
- 51 S.B. 5, 82nd Legislature, Regular Session, 2011.
- 52 Section 61.055(a), Texas Education Code, would move to the new academic approval section within Subchapter C of Chapter 61, Texas Education Code, but would reference only a new degree or certificate program, not a new department or school.
- 53 Section 61.0512, Texas Education Code, would be eliminated and replaced with preliminary approval language in the new academic program approval section.
- 54 S.B. 1618, 82nd Legislature, Regular Session, 2011.



## RESPONSES TO ISSUE 2

### Overall Agency Response to Issue 2

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### Recommendation 2.1

*Redefine the Coordinating Board's powers and duties in statute to reflect the major functions of a modern higher education coordinating entity.*

#### Agency Response to 2.1

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### For 2.1

Bill Hammond, President – Texas Association of Business, Austin

#### Against 2.1

None received.

### Recommendation 2.2

*Redefine long-range planning for higher education in statute.*

#### Agency Response to 2.2

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### For 2.2

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

#### Against 2.2

None received.

#### Modification

1. Require the Coordinating Board to include key goals related to financial aid and financial preparation for college in their long-range plan as a higher education coordinating entity, including the following components:

- 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.

(Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

### **Recommendation 2.3**

*Update the Coordinating Board's statute to clearly define its academic program approval authority in one section of law.*

#### **Agency Response to 2.3**

Agree, on the condition that the Texas Higher Education Coordinating Board (THECB) retain its authority to approve role and mission statements. The THECB agrees with the Sunset staff recommendation to streamline the agency's processes for reviewing the role and mission statements of public universities. However, the THECB believes the agency must retain explicit authority to approve significant changes to role and mission statements in order to prevent "mission creep."

#### Agency Modification

2. Provide for the Coordinating Board to retain explicit authority to approve significant changes to role and mission statements of public universities.

(Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 2.3**

None received.

#### **Against 2.3**

None received.

### **Recommendation 2.4**

*Eliminate 20 unfunded and unnecessary programs from statute.*

#### **Agency Response to 2.4**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 2.4**

None received.

**Against 2.4**

None received.

**Modification**

3. Rather than eliminate the Advanced Technology Program, fold the program into the Advanced Research Program and require THECB's advisory committee on research to allocate funds appropriated to such a program to assist researchers with seed money for each type of research function. (Carol McDonald, President – Independent Colleges and Universities of Texas, Austin)

**Recommendation 2.5**

*Eliminate four unnecessary reporting requirements, but continue 18 that still serve a purpose.*

**Agency Response to 2.5**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 2.5**

None received.

**Against 2.5**

None received.

**Recommendation 2.6**

*Require the Coordinating Board to periodically re-evaluate the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.*

**Agency Response to 2.6**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 2.6**

None received.

**Against 2.6**

None received.

**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.*

**Agency Response to 2.7**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 2.7**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

**Against 2.7**

None received.

**Modifications**

4. The Coordinating Board should adopt a goal to improve relationships and increase collaboration and partnerships with community-based organizations engaged in work with prospective traditional and non-traditional low-income college students. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)
5. The Coordinating Board should expand the RFP process for the College Access Challenge Grant to directly include community-based groups. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

## COMMISSION DECISION ON ISSUE 2

(JUNE 2012)

Adopted Recommendations 2.1 through 2.7.

## FINAL RESULTS ON ISSUE 2

(JULY 2013)

### **Legislative Action — S.B. 215**

**Recommendation 2.1** — Senate Bill 215 redefines the Coordinating Board's powers and duties into a concise list in statute to reflect the major functions of a modern higher education coordinating entity. The bill repeals outdated subsections of law and moves other subsections to new sections of law. The bill expanded this provision to require the Board to "encourage," rather than "develop and implement policies to promote" transferability of lower-division course credit among institutions of higher education.

**Recommendation 2.2** — The bill combines and simplifies long-range planning requirements for higher education in statute.

**Recommendation 2.3** — Senate Bill 215 updates the Coordinating Board's statute to clearly define its academic program approval authority in one section of law. The Legislature also included a provision to require institutions to notify, rather than secure preliminary approval from, the Board when planning for a new degree program. The bill provides that the Board's review begins when an institution requests to implement a degree program, rather than when the institution notifies the Board of preliminary plans for the program.

The Legislature also expanded the Sunset recommendation to provide that a new degree or certificate program is automatically approved if the Board doesn't act to approve or disapprove the proposed program within one year. The bill prohibits the Board from disapproving a program without completing its review. The bill requires the Board to specify, by rule, the elements of a complete application for a new degree or certificate program and to determine an application's completeness within five business days.

**Recommendation 2.4** — The bill eliminates 19 unfunded and unnecessary programs from statute.

**Recommendation 2.5** — The bill eliminates four unnecessary reporting requirements.

**Recommendation 2.6** — Senate Bill 215 requires the Coordinating Board to periodically reevaluate, in consultation with university systems, institutions of higher education, and private and independent institutions, the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.

**Recommendation 2.7** — The bill provides 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.

# ISSUE 3

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

### Background

One of the Coordinating Board's key functions is to develop and evaluate progress toward a long-range plan for Texas higher education. In 2000, the agency launched *Closing the Gaps by 2015* to bring Texas to parity with the ten most populous states through improvement in several aspects of higher education. The four major goals of *Closing the Gaps* include increasing participation, success, research, and excellence in higher education.

State law requires the Coordinating Board, along with all state agencies, to prepare a five-year strategic plan for its operations, and update it each biennium, to guide the State's budgeting process for the agency.<sup>1</sup> Agency strategic plans are supposed to provide formal documentation of an agency's goals, directions, and outcomes to various audiences, including the Governor and Legislature, stakeholders, the public, and the agency's employees.<sup>2</sup>

As provided for in its most recent agency strategic plan, the Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions, and other entities to help Texas meet the goals of the higher education plan, *Closing the Gaps*, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.<sup>3</sup>

### Findings

**By not distinguishing its mission and goals from those of *Closing the Gaps*, the Coordinating Board fails to clarify its unique role and duties as a statewide coordinating body.**

*Closing the Gaps* is the long-range plan for higher education, and the ultimate success or failure of the plan depends mostly on the actions of the state's colleges and universities. *Closing the Gaps* is not, and was never meant to be, a strategic plan for the agency itself. However, since its creation, *Closing the Gaps* has become the driving force behind the Coordinating Board's every decision. While well-intentioned, this overarching focus on *Closing the Gaps* has impeded the agency from clearly defining its own mission and role. Throughout the review, Sunset staff found that stakeholders were unclear regarding the Coordinating Board's role — especially given its multitude of activities and priorities.

Without a doubt, the agency plays a major role in developing and tracking the goals of *Closing the Gaps*, but the functions of the agency go beyond its support of the higher education plan. The agency's original purpose, which is still in statute today, is to help ensure "the efficient and effective utilization and concentration of all available resources and the elimination of costly

---

*The Coordinating Board's functions go beyond its support of Closing the Gaps.*

---

---

*Ensuring the efficient use of higher education resources is a significant agency function that is different from Closing the Gaps.*

---

duplication in program offerings, faculties, and physical plants,” thus ensuring the wise use of state funding for higher education.<sup>4</sup> This purpose, although different from the goals of *Closing the Gaps*, remains significant for the State. For example, the agency’s functions of approving academic programs and promoting transferability of courses are related to efficiency, and in 2009, the Governor issued an executive order directing the Coordinating Board to work with institutions to find opportunities to achieve greater cost efficiencies within the state’s system of higher education.<sup>5</sup>

With its current focus on the four goals of *Closing the Gaps*, the agency does not have a clear public strategy for its approach to other key duties, such as ensuring the efficient and effective use of higher education resources across the state; and collecting, analyzing and communicating the extensive data it collects from institutions. Managing the daily operations of the agency also requires focus on issues such as information technology, human resources, and internal controls, which are not related to the goals of *Closing the Gaps*.

**Since the Coordinating Board links its strategic plan, budget, and performance measures back to the goals of *Closing the Gaps*, the agency does not provide a clear picture of its own priorities, funding, and impact.**

Since adopting *Closing the Gaps*, the agency has attempted to adjust its strategic plan, budget, performance measures, and even its organizational structure to fit within the four goals of the higher education plan. Unfortunately, while there are many connections between the agency and these broader goals, there are also many disconnects and omissions that can result.

---

*The agency’s strategic plan does not define a clear purpose and direction that is distinct from Closing the Gaps.*

---

- **Strategic plan.** The Coordinating Board’s agency strategic plan focuses solely on the goals of *Closing the Gaps*. While helping the agency and its staff to maintain a focus on the state’s broader concerns for higher education, the strategic plan does not define a clear purpose and direction for the agency that is distinct from *Closing the Gaps*. As currently conducted, the Coordinating Board’s strategic planning process is simply a task that must be completed to ensure compliance with state law. With its most recent strategic plan in 2010, the agency delegated responsibility for coordinating the plan’s development to the Assistant Commissioner who oversees the data collection and analysis functions of the agency and the Board adopted it as part of its consent agenda with no time spent discussing the plan or its strategies in an open, public meeting.<sup>6</sup>

If done correctly, strategic planning can provide many benefits, such as clarifying an agency’s purpose and goals, ensuring clear strategies for achieving the goals, and establishing a basis for measuring success, as described in the textbox on the following page, *Benefits of Strategic Planning*.<sup>7</sup> However, the Coordinating Board’s strategic plan does not clarify the agency’s purpose beyond its support of *Closing the Gaps*. The plan does not lay out any agency-specific goals, objectives, or outcomes. Further, no other documents generated by the agency provide a strategic



vision or specific strategies to guide the agency's day-to-day activities or measure the overall impact of the agency's efforts.

This results in confusion among the Legislature, stakeholders, and the public about the agency's priorities and purpose. Without a clear focus within an arena as far reaching as higher education, the agency can become the target of a wide range of initiatives that can detract from its core functions. The addition of private funding, which often comes with specific requirements for its use, can exacerbate this proliferation of programs if the agency lacks clear criteria for determining if such funding fits within, and advances, the goals of the agency.

- **Budget.** The title of each of the agency's budget goals and many of its strategies in the General Appropriations Act begins with the term "Closing the Gaps." This gives the appearance of relating all of the funding back to *Closing the Gaps*, but does not provide any clear guidance to the public, the Legislature, or other stakeholders for understanding the funding of the agency. While the majority of the agency's appropriated funds are clearly labeled in 50 line-item strategies for financial aid and other grant programs passed through to institutions, the agency's entire operating funds, beyond indirect administration, are combined under one goal that does not clearly break out funding for key components of the agency's operations.
- **Performance measures.** Performance measures are an integral part of the legislative appropriations process and are meant to provide an indication of whether agencies are successful and efficient with taxpayer money. However, the majority of the Coordinating Board's performance measures do not reflect the activities of the agency, instead measuring the success of public higher education institutions in the state. Of the agency's 20 key measures, only two indicate the agency's actual performance, and those two do so for very targeted purposes, as indicated in the textbox on the following page, *Who Is Responsible for Key Performance Measures?*.

While the agency's activities may have some effect on the outcomes indicated in performance measures tied to higher education overall, it is often impossible to delineate the agency's impact from the larger role of higher education institutions. These measures provide useful information on the progress of higher education overall, but do not provide a useful indication of whether the Coordinating Board is successfully performing its functions or what impact the agency is having on the higher education system.

### **Benefits of Strategic Planning**

A successful strategic planning process provides many benefits to agencies and those affected by their operation, such as:

- clarifying an agency's purpose and direction;
- enhancing decision-making by improving internal communication;
- improving the agency's external communications and emphasizing customer service;
- guiding budget preparation and establishing a basis for measuring success; and
- defining agency goals and objectives and producing strategies that lead to priority-based resource allocation decisions.

---

*The majority of the agency's performance measures do not reflect its activities.*

---

### ***Who Is Responsible for Key Performance Measures?***

#### **Actions by the Coordinating Board affect these measures:**

- Default rate on Hinson-Hazlewood Loans.
- Number of Norman Hackerman Advanced Research Program research projects funded.

#### **Actions by all higher education institutions affect these measures:**

- Percent increase in fall student headcount enrollment since fall 2000.
- Percent increase in bachelor's degrees, associate degrees, and certificates awarded since those awarded fall 1999 through summer 2000.
- Percentage of university students graduating in four years.
- Percent of public two-year institution students graduating in three years.

#### **Actions by specific higher education institutions affect these measures:**

- Percentage of Baylor College of Medicine graduates entering Texas residency programs.
- Pass rate on state certification exams at centers for teaching education at Texas Association of Developing College institutions.

#### **Actions by the Legislature and higher education institutions affect these measures:**

- Dollars appropriated for developmental education as a percentage of lower-division instruction.
- Number of students receiving TEXAS Grants.
- Percentage of TEXAS Grant recipients who earn a baccalaureate degree within four academic years.
- Percentage of Tuition Equalization Grant recipients who earn baccalaureate degrees within four academic years.
- Percentage of students receiving financial aid employed through the Texas College Work Study Program.

- **Agency organization.** The agency even re-organized its staff to align with the goals of *Closing the Gaps*. In 2005, the agency divided its staff between two divisions: one related to participation and success and the other related to academic excellence and research.<sup>8</sup> As the functions of the agency do not clearly break out in this manner, the agency has gone through numerous adjustments over time and is no longer strictly organized according to the four goals. However, the agency does not require its staff to account for their time spent on individual projects, thus gauging the most appropriate organization of staff to ensure accountability can be difficult. Without time tracking and performance measures, management cannot judge whether staff resources are spent efficiently and whether staff is making progress in meeting the agency's goals, much less determine the benefits of one organizational approach over another.

---

*The agency does not require its staff to account for time spent on individual projects.*

---

### **The Coordinating Board's poorly organized websites do not clearly communicate the agency's role or its wealth of data and information on higher education.**

The Coordinating Board struggles to communicate its activities and share its wealth of higher education data via its websites. The agency's websites

are important communication tools, as stakeholders from all backgrounds have an interest in higher education information. However, throughout the Sunset review, the websites garnered the most vocal and persistent complaints from almost every stakeholder. The Coordinating Board's main site is the hub for all reports, Board and agency information, and links to other websites maintained by the agency. The main site is disorganized and difficult to navigate. Key information is not highlighted or targeted to the various audiences that rely on the site.

A key factor contributing to this disorganization stems from the agency's use of a web-based application that allows staff throughout the agency to post information to the website, without centralized oversight. For example, while the website has a centralized link to browse and search for reports, not all reports prepared by the agency can be found there. Without central coordination of all this data and information, the agency cannot ensure that the information posted is accurate and up-to-date; or that the site and all of its content complies with state laws on accessibility.

The agency's data website, *Texas Higher Education Data*, houses a significant amount of critical data on various aspects of higher education in Texas, but its poor design overwhelms users, resulting in a lost opportunity to convey meaningful data. Agency staff is aware of stakeholders' frustrations, but a redesign of the data site has been on the agency's list of information technology (IT) projects for more than a year. The agency hired a consultant to redesign the data site's homepage, but the agency did not prioritize the project and, as a result, it did not progress for many months. The agency recently resumed work on the project and plans to have the redesigned website available to the public by May 2012.

Finding reports or data within this maze of information presents such a challenge that users often end up calling the agency for assistance. Agency staff spends significant amounts of time responding to information requests and working with stakeholders to navigate their online resources. The Planning and Accountability Division, which manages the agency's large data sets, responded to more than 300 external requests for information in fiscal year 2011. In a similar time-frame, the External Relations staff responded to more than 100 requests. Other divisions within the agency also respond to information requests, but the agency does not have systems to consistently track all requests or time spent responding to inquiries, making assessing the impact of this activity on staff's productivity difficult.

**Below the Commissioner, the Coordinating Board lacks a single manager to run, and ensure accountability for, the day-to-day activities of the agency.**

The Coordinating Board appoints the Commissioner of Higher Education to direct the agency and oversee the staff, and statute sets out a list of administrative functions of the Commissioner.<sup>9</sup> However, the Commissioner has historically taken on the role of a highly visible spokesperson who takes

---

*The agency's websites garnered vocal and persistent complaints from stakeholders throughout the Sunset review.*

---



---

*A redesign of the data website has been on the agency's list of IT projects for more than a year.*

---

the lead on critical issues affecting higher education in the state. In this capacity, the Commissioner focuses on higher education policy, visits with leaders at higher education institutions, legislators, and other stakeholders, and solicits private money to support the agency's efforts. These leadership duties leave little time to focus on basic everyday management of agency operations. Although the Commissioner has established a clear line of authority for when he is out of the office, no one person is designated to manage the day-to-day operations of the agency.

The Commissioner's unique role is similar to that of agencies with a single appointed or elected Commissioner, such as the Texas Education Agency and Texas Department of Agriculture. Single commissioner agencies typically have one person under the Commissioner to oversee the day-to-day management of the agency. Such individuals can help ensure the agency is complying with statutory requirements, communicating a consistent message to stakeholders and the public, and keeping staff on track and focused on agency goals. The textbox, *Select Duties of Executive-Level Managers*, provides additional details on the key responsibilities of such managers.

### ***Select Duties of Executive-Level Managers***

#### **Texas Education Agency's Chief of Staff (reports to the Commissioner of Education):**

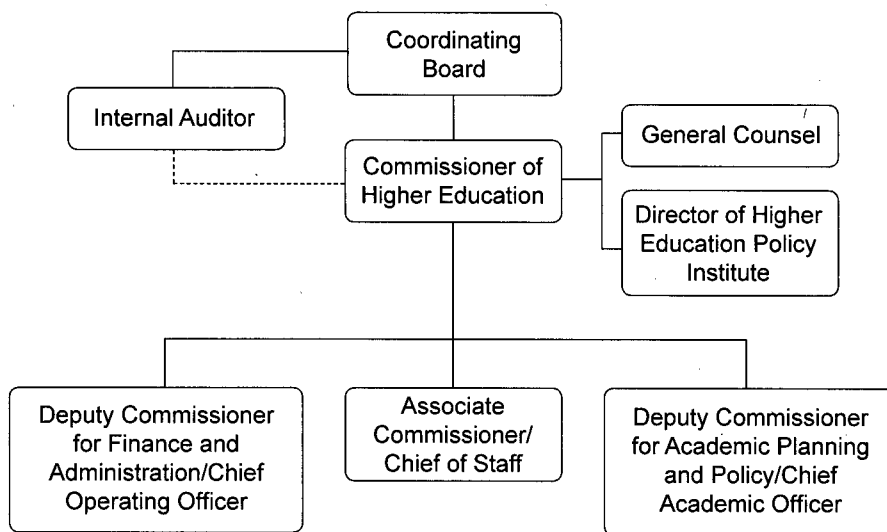
- responsible for the agency's overall execution on a day-to-day basis;
- oversees the agency's three deputy commissioner departments and exercises the leadership and management necessary to ensure these three groups of functions are carried out in accordance with state law and in a manner representative of the agency, executive branch, and legislative priorities;
- regularly communicates and guides the activities of agency executive staff and enjoys wide latitude with regard to making decisions on agency policies and how those policies are implemented;
- responsible for agency communications with all constituents, stakeholders, the press, Governor's Office, Legislature, Congress, and the State Board of Education, and all other public officials; and
- acts as the Commissioner's ministerial designee for a number of day-to-day business functions regarding personnel, budget, general management, and the supervision of the Commissioner's executive office staff.

#### **Texas Department of Agriculture's Deputy Commissioner (reports to the Commissioner of Agriculture):**

- directs, oversees, and coordinates the strategic planning, management, budget development, and oversight functions of the agency;
- determines the need for and implements programs and innovations that ensure efficient, effective, progressive agency operations;
- directs and oversees the coordination of staffing and resource needs between the various divisions of the agency;
- assures compliance with Equal Employment Opportunity, Affirmative Action, Americans with Disabilities Act, safety and ethics, and other goals and requirements;
- monitors all information, literature, correspondence, and other printed materials generated by the agency to assure consistency of message and quality; and
- ensures that all divisions within the agency are updated on agency operations.

In contrast, the Coordinating Board has three top-level executives who answer directly to the Commissioner, as shown in the agency's *Organizational Chart*. The Deputy Commissioner for Finance and Administration oversees student financial aid programs, as well as functions typical of all state agencies, such as human resources, information technology, and purchasing. The Deputy Commissioner for Academic Planning and Policy manages the agency's academic programs and data analysis functions. The Associate Commissioner oversees the Office of External Relations, handles the agency's Legislative Appropriations Request, and ensures staff carries out directives from the Board and Commissioner.<sup>10</sup>

### **Texas Higher Education Coordinating Board Organizational Chart**



Through this structure, the Commissioner has created a team management approach, which can make ensuring accountability throughout the agency difficult. The agency also clearly prioritizes its top-level administrators having academic experience, with less focus on management experience and skills. Given the Commissioner's extensive academic background and focus on the system of higher education overall, the agency could benefit from balancing this with a stronger focus on management experience just below the Commissioner — to better ensure the most effective use of the agency's \$750 million budget and 274 employees.

Having no single individual to manage and run the day-to-day activities of an agency can contribute to various problems, such as unclear priorities, poor internal and external communication, and potential duplication of effort across divisions. The material below highlights problems identified at the Coordinating Board that tie back to the difficulty of using a senior management team, rather than a single manager, to coordinate and direct the day-to-day operations of the agency.

---

*The agency's list of pending IT projects includes around 80 items, with little indication of priority.*

---

- **IT projects.** Project requests come from various divisions throughout the agency with little indication of importance or urgency, so the Information Technology Services Division does not know which projects to prioritize. The Division has around 80 items on its list of projects needing action; some have been on the list for several years.

At the time of publication of this report, the agency indicated that the Division had recently created an Information Technology Steering Committee to prioritize these projects. While a step in the right direction, the new committee is comprised of the same executive staff that had responsibility for resolving these problems all along — the two deputy commissioners, the associate commissioner, and the assistant commissioner for the Division. This approach means no clear single leader is accountable for resolving conflicting information technology interests across the various divisions of the agency.

- **External communication.** No coordination or uniformity exists in how the agency provides information or responds to requests for information from entities outside the agency, including institutions of higher education, the Legislature, or the public. The agency lacks a centralized, consistent approach to email communication with stakeholders, with each division maintaining its own email distribution lists to inform stakeholders of new initiatives, upcoming events, and other agency-related news.

Further, multiple divisions within the agency respond to requests for information from stakeholders without a centralized system to track the responses. This approach provides no overall quality control over information going out of the agency. This creates a clear potential for the agency to provide different answers to the same questions, and for staff to waste time generating new responses to questions that may have been asked repeatedly. Sunset staff heard complaints from higher education institutions about being asked for the same information multiple times by different agency staff.

---

*Several cross-division activities could benefit from improved coordination.*

---

- **Cross-division efforts.** Several key initiatives within the agency are performed by staff in multiple divisions, which can lead to duplication of effort and fragmented oversight. With staff working on numerous projects that cut across division lines, Sunset staff found no clear mechanisms in place for the agency to ensure accountability for staff's time, as the agency does not track staff time on these different activities. In June 2010, management consultants hired by the agency pointed out the need for better intra-agency collaboration on initiatives related to meeting the goals of the *Accelerated Plan for Closing the Gaps*.<sup>11</sup> While the senior management team has worked to minimize these problems, Sunset found ongoing concerns in this area.

Several cross-division activities could benefit from improved coordination and clearer division of responsibilities. For example, program evaluation, which is primarily the job of staff in Research and Evaluation, is

also planned by the Internal Auditor. As discussed in Issue 5, beyond duplication, this is generally not the best use of internal audit staff. Another area of concern is policy research and analysis, which is conducted by both the Planning and Accountability Division and the Higher Education Policy Institute. Also, two separate divisions — Academic Affairs and Research and P-16 Initiatives — administer initiatives to address goals of the *Accelerated Plan for Closing the Gaps*, such as programs to increase graduates in science, technology, engineering, and mathematics (STEM) fields.

- **Advisory committees.** The Coordinating Board has myriad advisory committees, councils, work groups, and task forces with no one ensuring they are necessary or meet statutory requirements, as described further in Issue 1. Comprehensively managing these committees also poses a challenge to the agency, as the committees are scattered across various divisions of the agency, and staff devote a significant amount of time to committee activities.
- **Reporting requirements.** No one within the agency has a comprehensive view of reporting requirements to identify those that are obsolete or to ensure compliance. Many requirements are outdated or do not provide useful information to the Legislature or stakeholders, and the agency does not fully comply with several others, as discussed further in Issue 2.

These problems significantly impede the Coordinating Board's ability to efficiently do its work.

---

*Managing myriad advisory committees poses a challenge to the agency because they are scattered across various divisions.*

---

## Recommendations

### *Management Action*

#### **3.1 Direct the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions.**

This recommendation aims to help the Coordinating Board develop a more meaningful and comprehensive strategic planning process by setting goals and strategies that are specific to the functions of the agency. The strategic plan should align with, and support the goals of, *Closing the Gaps* where appropriate, but should provide more specific strategies the agency will undertake to help the state meet the goals of *Closing the Gaps* over the next five years. The plan should also include other goals and strategies that reflect the agency's other functions, including ensuring the efficient and effective use of state funding for higher education. The agency should begin its strategic planning process each biennium by identifying a reasonable number of goals, such as five or six, that it wants to achieve in the subsequent two years. Once the agency establishes its priorities, it should develop strategies to meet those goals and methods to measure its progress.

To support implementation of the strategic plan, agency divisions should develop action plans, with relevant performance measures, that support the strategic plan and guide their work throughout the biennium. The Board could also create an annual work plan with monthly timeframes for addressing key priorities. In developing its new strategic planning process, the agency would need to find a balance between maintaining long-term focus on the goals of *Closing the Gaps* and ensuring agency staff have

clear guidance of what their priorities are on a daily basis. For comparison, the agency should review other agencies' strategic plans and their processes for developing those plans.

### **3.2 Direct the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations.**

The person chosen for this position should report directly to the Commissioner and should have experience managing large organizations, but does not necessarily need to possess academic experience. The Commissioner should consider whether all agency staff, except the General Counsel and Internal Auditor, should report to this person or whether this person should oversee staff for management purposes only. Using a single, high-level executive to coordinate the agency's operations would not preclude the agency from designating a Chief Academic Officer, but would require management of the entire agency by a single individual.

For comparison, the Commissioner should review the experience and duties of deputy commissioners and chiefs of staff of other agencies that are headed by single commissioners. At a minimum, the functions of this position should include:

- ensuring compliance with all relevant laws;
- ensuring consistency in communications with external stakeholders;
- assessing whether the agency's organization is as efficient as possible;
- assessing agency functions to avoid duplication of effort;
- overseeing preparation of the agency's strategic plan and budget; and
- ensuring agency staff is aware of the agency's priorities, as defined in the strategic plan, and working efficiently towards established goals.

When designating this position, the agency should ensure that the duties are well-defined and distinct from the duties of the Commissioner.

### **3.3 Direct the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions.**

The Coordinating Board should work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to change its budget goals and strategies and develop agency-specific performance measures to support its strategic planning process. The budget goals and strategies should more closely follow the agency's functions and organization and the new measures should be designed to provide an accurate assessment of the agency's activities. This recommendation does not necessarily intend for the agency to seek to remove existing performance measures, which may be useful to the Legislature in evaluating the state of higher education. Instead, the agency should seek to create additional measures that specifically indicate the agency's performance.

### **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.**

The Coordinating Board should redesign its primary website and complete the redesign of the *Texas Higher Education Data* website, tailoring information to different audiences and presenting the most



pertinent information in the most accessible way. To ensure consistency, the agency should develop a system requiring the Information Technology Services Division and the executive manager position created in Recommendation 3.2 to oversee the content of the websites.

Content on both the primary site and the data site should be organized in an easy-to-navigate way and take into consideration the various audiences that access the sites, including parents and students, higher education institutions, legislators and other policy makers, and education researchers. The agency should provide space on either the primary site or the data site to present the most frequently requested statewide data, such as enrollment and graduation rates.

When redesigning the websites, the Coordinating Board should take into consideration comments from agency staff and stakeholders. The agency should refer to other agency's websites as comparisons, including other states' higher education agency websites, to develop an approach that quickly delivers current and useable information. The agency should ensure that all websites and content comply with the State's accessibility standards in the Texas Government Code.<sup>12</sup>

### **3.5 Direct the Coordinating Board to develop a time management system for its staff.**

The Coordinating Board should develop a system that will provide agency management with information on the time its staff spends on different programs and activities. Staff who work on federally-funded programs already must account for their time, as required by the federal oversight agencies. The agency could expand the time management system used for federal programs to the rest of the agency's activities. Management should then use this time accounting information to evaluate use of staff resources, including whether staff time is spent in accordance with agency priorities, and whether programs or activities should be eliminated, streamlined, or restructured more efficiently across divisions.

## **Fiscal Implication**

While clearly requiring effort on the part of the agency, these recommendations would not have a cost to the State. The recommendation to designate a single high-level executive to oversee day-to-day management would not necessitate the hiring of a new manager, as the agency could restructure its existing staff organization. To reduce potential costs associated with redesigning its websites, the agency should use the design work already completed for the *Texas Higher Education Data* website as a foundation. The agency is already funded to maintain and update its websites, but could also seek grants and other private funding for this essential function. The remaining recommendations regarding strategic planning, budgeting, performance measures, and time management can be done with existing resources.

- 
- 1 Chapter 2056, Texas Government Code.
  - 2 Governor's Office of Budget, Planning, and Policy (GOBPP) and Legislative Budget Board (LBB), *Instructions for Preparing and Submitting Agency Strategic Plans, Fiscal Year 2011–2015*, p. 3, accessed February 3, 2012, [http://www.lbb.state.tx.us/Strategic\\_Plans/StrategicPlansInstructions\\_forFY\\_2011-2015.pdf](http://www.lbb.state.tx.us/Strategic_Plans/StrategicPlansInstructions_forFY_2011-2015.pdf).
  - 3 Texas Higher Education Coordinating Board (THECB), *Agency Strategic Plan For the Fiscal Years 2011–2015 Period*, p. 9, accessed February 3, 2012, <http://www.thecb.state.tx.us/reports/PDF/2054.PDF?CFID=22330380&CFTOKEN=43360245>.
  - 4 Section 61.002(a), Texas Education Code.
  - 5 Tex. Gov. Exec. Order No RP73, September 25, 2009 (200904051).
  - 6 Texas Higher Education Coordinating Board, Committee on Strategic Planning and Policy, March 23, 2010, meeting minutes; Texas Higher Education Coordinating Board, April 29, 2010, meeting minutes.
  - 7 GOBPP and LBB, *Instructions for Preparing and Submitting Agency Strategic Plans, Fiscal Year 2011–2015*, p. 4.
  - 8 THECB, *Agency Strategic Plan For the Fiscal Years 2011–2015 Period*, pp. A-2–A-3.
  - 9 Section 61.028, Texas Education Code.
  - 10 Texas Higher Education Coordinating Board, *Self-Evaluation Report to the Sunset Advisory Commission*, p. 63, accessed February 3, 2012, <http://www.sunset.state.tx.us/83rd/hecb/ser.pdf#hecb>.
  - 11 FSG Social Impact Advisors, *THECB Organizational Implications and Implementation Planning* (June 14, 2010), p. 12.
  - 12 Subchapter M, Chapter 2054, Texas Government Code.

## RESPONSES TO ISSUE 3

### Overall Agency Response to Issue 3

Disagree. The agency states that while the goals of *Closing the Gaps* are primarily dependent on the actions of higher education institutions, the agency has embedded these goals into its core functions — degree program approval, facilities approval, dissemination of data, and administration of financial aid and other programs — which has directly and indirectly resulted in institutions making significant strides in implementing the strategies in, and achieving the targets of, *Closing the Gaps*. Without this statewide vision, the Texas Higher Education Coordinating Board (THECB) would fail to achieve its mission. Although the agency disagrees with this overarching issue, it agrees that the agency strategic plan should strike a better balance of strategic direction for the agency and strategic direction for Texas higher education (see response to 3.1). (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### Recommendation 3.1

*Direct the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions.*

#### Agency Response to 3.1

Agree. The THECB reports that it is modifying the current strategic plan to incorporate some of the agency elements as recommended by Sunset staff. Given the short turnaround for completely revamping this year's plan, the THECB plans to fully implement this recommendation when preparing the 2014 strategic plan. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### For 3.1

None received.

#### Against 3.1

None received.

### Recommendation 3.2

*Direct the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations.*

#### Agency Response to 3.2

Disagree. The THECB believes that a team management approach with senior functional leaders as cultivated by the Commissioner of Higher Education is significantly more effective than having a single manager in charge of an agency as complex and unique as the

THECB. The THECB also strongly disagrees with Sunset staff's assertion that the agency "clearly prioritizes its top-level administrators having academic experience, with less focus on management experience and skills." The combined management experience of the two deputy Commissioners of Higher Education is over 60 years. Finally, the THECB disagrees with the problems that Sunset staff has identified as resulting from the lack of a single manager. The THECB can certainly improve in areas such as prioritizing information technology needs and coordinating external communications — and the agency is instituting changes to do so. However, the agency believes these are perennial challenges faced by several state agencies of various management structures, and the team management structure of the agency brings a wealth of managerial experience and different perspectives to solving these and other management issues. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 3.2**

None received.

**Against 3.2**

None received.

**Recommendation 3.3**

*Direct the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions.*

**Agency Response to 3.3**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 3.3**

None received.

**Against 3.3**

None received.

**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.*

**Agency Response to 3.4**

Agree, contingent on legislative appropriations or the receipt of private funding for this purpose. In order to implement this recommendation, the agency cannot rely on internal

resources because these resources are already strained. Therefore, the agency would need to hire an external consultant for this purpose at an estimated cost range of \$75,000 to \$100,000.

#### Agency Modification

1. The Coordinating Board would only be required to redesign its websites upon receipt of legislative appropriations or private funding for this purpose.

(Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 3.4**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

Carol McDonald, President – Independent Colleges and Universities of Texas, Austin

#### **Against 3.4**

None received.

#### **Modification**

2. The Coordinating Board's website should provide FAFSA (Free Application for Federal Student Aid) data, including enrollment status and income level (or expected family contribution) of each applicant to better understand enrollment patterns by geographical location and income level. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

### **Recommendation 3.5**

*Direct the Coordinating Board to develop a time management system for its staff.*

#### **Agency Response to 3.5**

Agree. The THECB believes that those employees who are most closely tied to projects are already on a time management system, but agrees that management could more effectively examine these time sheets to evaluate the use of staff resources. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 3.5**

None received.

#### **Against 3.5**

None received.

# COMMISSION DECISION ON ISSUE 3

(JUNE 2012)

Adopted Recommendations 3.1 through 3.5.

# FINAL RESULTS ON ISSUE 3

(JULY 2013)

## ***Management Action***

**Recommendation 3.1** — Directs the Coordinating Board to revamp its statutorily required strategic plan to be specific to the agency's goals and functions.

**Recommendation 3.2** — Directs the Commissioner of Higher Education to ensure that a single high-level executive manages and coordinates the agency's day-to-day operations.

**Recommendation 3.3** — Directs the Coordinating Board to work toward revamping its budget pattern and performance measures to better reflect the agency's functions.

**Recommendation 3.4** — Directs 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.

**Recommendation 3.5** — Directs the Coordinating Board to develop a time management system for its staff.

## 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.*

#### Background

Graduation rates in Texas are low. Four-year graduation rates are 27 percent at public four-year institutions, 41 percent at private four-year institutions, and only 18 percent at public two-year institutions, including community, technical, and state colleges.<sup>1</sup> To address this problem, the Legislature created the Texas B-On-Time Loan Program in 2003 to encourage students attending Texas' public and private institutions of higher education to graduate on time with good grades.<sup>2</sup> B-On-Time provides eligible students with no-interest loans to cover their tuition and fees, and offers loan forgiveness to students who graduate within a specified time or number of hours, with at least a B-average.

Since 2004, more than 30,000 students have enrolled in B-On-Time. To initially be eligible for the B-On-Time program, a student must be a Texas resident who has completed a recommended high school program, is eligible to receive federal financial aid, and is enrolled full-time in an undergraduate degree or certificate program at a Texas institution. B-On-Time participants are not required to have a credit check or obtain a co-signer to originate a loan.

To later be eligible for loan forgiveness, a B-On-Time student must graduate with a cumulative grade point average of at least a 3.0 within a specific number of years or credit hours. The textbox, *B-On-Time Loan Forgiveness Requirements*, describes the requirements for B-On-Time loan forgiveness.<sup>3</sup> If a student does not meet these requirements, the entire loan amount must be repaid, although without interest.

To fund B-On-Time, the Legislature created tuition set-asides of 5 percent of the undergraduate tuition charged in excess of \$46 per semester credit hour collected at public universities.<sup>4</sup> The Sunset review did not evaluate the legislative policy decision to use tuition set-asides to fund the B-On-Time program; rather, staff focused on the effectiveness of the program. The Legislature also appropriates General Revenue (GR) to fund the program. In fiscal year 2011, 71 percent of B-On-Time funding came from set-asides and 29 percent from GR — totaling \$90.2 million. While public two-year institutions do not have to set aside tuition for the program, their students are eligible to receive B-On-Time funds created from tuition set-asides. Private university students also receive B-On-Time loans, but these are funded entirely by GR. The chart on the following page, *B-On-Time Allocations and Funding Sources*, shows which institutions receive each type of B-On-Time funding.

#### **B-On-Time Loan Forgiveness Requirements**

To qualify for forgiveness, a B-On-Time participant must graduate, with a B-average, in one of two ways:

##### **On time**

- within four years of enrollment;
- within five years of enrollment, if the degree is in architecture, engineering, or other program determined by the Board to require more than four years to complete; or
- within two years of enrollment in a two-year institution.

##### **Efficiently**

- by earning no more than six hours, including transfer hours, beyond the requirements of the completed degree or certificate program.

**B-On-Time Allocations and Funding Sources – FY 2011**

Type of Institution	Total Allocation	Source of Funding	Maximum Loan Amount	Students Pay Tuition Set-Asides?
Public Four-Year	\$62,474,790	Tuition Set-Asides and General Revenue	\$3,550 per semester or \$7,100 a year	Yes
Private Four-Year	\$19,053,297	General Revenue Only	\$3,550 per semester or \$7,100 a year	No
Community Colleges	\$6,982,010	Tuition Set-Asides and General Revenue	\$945 per semester or \$1,890 a year	No
Public Health	\$1,477,488	Tuition Set-Asides and General Revenue	\$3,550 per semester or \$7,100 a year	Yes
Public Technical and State Colleges	\$145,380	Tuition Set-Asides and General Revenue	\$1,770 per semester or \$3,540 a year	No
Private Two-Year	\$36,000	General Revenue Only	\$945 per semester or \$1,890 a year	No
<b>Total Funding</b>	<b>\$90,168,965</b>			

**Findings**

**Many institutions and students fail to take advantage of the B-On-Time loan program, leaving more than \$32 million dollars of financial aid on the table annually.**

In fiscal year 2011, institutions did not disburse more than \$32 million, or 36 percent, of funds allocated to them for the B-On-Time program. In fact, only five out of 136 institutions disbursed their entire allocation. The chart, *Use of B-On-Time Funding*, depicts the overall problem and highlights the significant variation in different types of institution's use of funds allocated to them.

**Use of B-On-Time Funding – FY 2011**

Type of Institution	Number of Institutions	Total Allocation	Amount Disbursed to Students	Amount Not Disbursed to Students	Percent of Allocation Not Disbursed
Public Four-Year	35	\$62,474,790	\$39,818,988	\$22,655,802	36%
Private Four-Year	37	\$19,053,297	\$17,070,058	\$1,983,239	10%
Community Colleges	51	\$6,982,010	\$210,764	\$6,771,246	97%
Public Health	6	\$1,477,488	\$480,770	\$996,718	67%
Public Technical and State Colleges	5	\$145,380	\$1,575	\$143,805	99%
Private Two-Year	2	\$36,000	\$0	\$36,000	100%
<b>Total</b>	<b>136</b>	<b>\$90,168,965</b>	<b>\$57,582,155</b>	<b>\$32,587,310</b>	<b>36%</b>



Four-year public institutions received the largest allocation, \$62.5 million, but left \$22.7 million, or 36 percent of their allocation, on the table. Public and private two-year institutions use very little of their B-On-Time loan funds. In 2011, community colleges only disbursed 3 percent of their allocated B-On-Time funds, public technical and state colleges disbursed 1 percent, and private two-year institutions did not use any of their allocation. This may largely be tied to the fact that many of their students do not attend school full-time and therefore do not qualify for the program. In fall 2010, 69 percent of students attending public two-year institutions in Texas were enrolled part-time. Private four-year institutions used the highest percentage of their allocation — 90 percent. This likely results from a higher percentage of full-time students at private four-year institutions and the schools' more aggressive approach of taking advantage of any source of funding available to help cover their higher costs.

---

*Two-year institutions use very little of their B-On-Time funds.*

---

In attempting to better understand the reasons for the program's under-subscription, Sunset staff interviewed a wide range of stakeholders, including financial aid staff at public and private institutions across the state. The following material describes problems identified that contribute to the program's lack of success.

- **Strict requirements.** Students may not sign up for B-On-Time because they do not expect to graduate on time with a B-average. Many college students have additional demands on their time, including work and families, and cannot finish college on time. This is especially true for students attending public two-year institutions. The table, *National Profile of Nontraditional Students*, illustrates the prevalence of nontraditional students in higher education.<sup>5</sup> Many of these students simply would not qualify for the program, as B-On-Time requires full-time attendance. Other students would rather take out a traditional loan with an interest rate than have the additional pressures of meeting B-On-Time loan forgiveness requirements.

***National Profile of Nontraditional Students***

Students Enrolled Part-Time	46%
Students Enrolled in Public Two-Year Colleges	40%
Students Age 25 or Older	36%
Students Employed Full-Time	32%
Students with Children	23%

Even for more traditional students, meeting the program's forgiveness requirements can be challenging. If a class needed for graduation is full, or if a student pursues an academic minor, a student may not qualify for loan forgiveness. If program requirements are not met, a student can suddenly find themselves in debt for their full four-year loan amount.

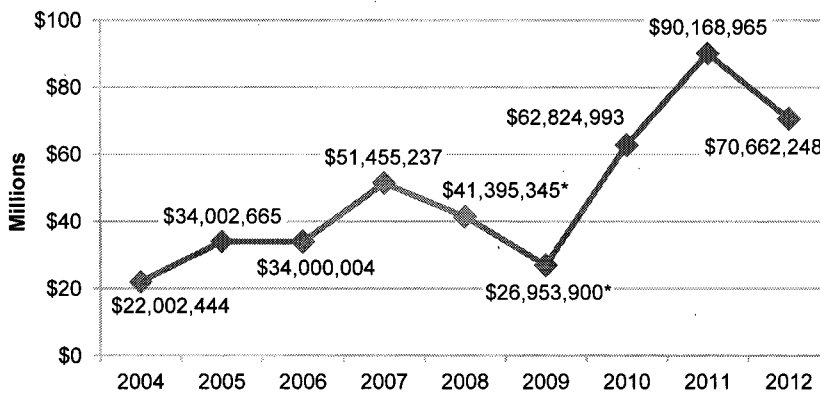
- **Complex structure.** Unlike other, more traditional federal and state loans, the structure of B-On-Time can be confusing to students — is it a loan or a grant? Many institutions' financial aid offices treat B-On-Time as a grant, instead of promoting the program as a no-interest loan with the option of becoming a grant if the student meets the requirements for loan forgiveness. Students may not recognize the benefits of B-On-Time as a no-interest loan if the student fails to meet the requirements

for loan forgiveness. Students may also believe they are on track for loan forgiveness, when they are not, as the program's loan renewal requirements are less stringent than its loan forgiveness requirements.<sup>6</sup>

*Some institutions only received enough funds to make seven or eight B-On-Time loans.*

- **Limited loan amounts.** In most cases, a B-On-Time loan award, with its maximum of \$7,100 per year for four-year students, is intended only to cover tuition and fees, and not the entire cost of attendance.<sup>7</sup> B-On-Time students may have to take out additional loans to finance their education. Students can choose a federal or state loan that covers the full cost of attendance, instead of B-On-Time, to avoid having to repay two college loans.
- **Lack of awareness about the program.** Many students do not know about the B-On-Time program. Federal regulations implemented in 2008 make it more difficult for institutions to make students aware of B-On-Time.<sup>8</sup> Financial aid officers can no longer package or promote alternative, or non-federal loans, including state loan programs such as B-On-Time. Students at these institutions must discover B-On-Time through their own research.
- **Small allocations.** B-On-Time allocations vary significantly across institutions, but many institutions, especially two-year institutions, end up with very small allocations of funds. For example, in fiscal year 2011, Galveston College only received funds for seven B-On-Time loans, and Temple College received funds for eight loans. Financial aid offices at institutions that get small allocations are hesitant to invest time and resources into administering a program that does not benefit many students.
- **Inconsistent funding.** Sunset staff found that many financial aid officers are uncertain about B-On-Time's ongoing funding. The graph, *B-On-Time Program Funding*, shows the varying levels of funding allocations throughout the life of the B-On-Time loan program. In 2008 and 2009, only renewal students received

**B-On-Time Program Funding  
FYs 2004–2012**



\* Renewal Students Only

only renewal students received funds, and no new students received loans. Despite the State's focus on maintaining funds for renewal students when funds have been tight, financial aid officers worry that students will begin the program but lose funding before finishing college, a concern they do not have with other, well-established financial aid programs.

- **Unclear target population.** While statute does not specify financial need as a criterion for B-On-Time, Coordinating Board rules for the program require institutions to prioritize recipients according to financial need.<sup>9</sup> Many institutions focus B-On-Time loans on their lowest income students who have not received funds from other financial aid programs, like the TEXAS Grant. However, program data shows that B-On-Time participants are generally middle-income students.

**Only 38 percent of B-On-Time participants have met the requirements of the program by graduating on time or within the required credit hours, and with at least a B-average.**

Out of the 17,696 B-On-Time participants who are no longer in school — only 6,821, or 38 percent, met the program's requirements for loan forgiveness.<sup>10</sup> Neither the Legislature nor the Coordinating Board set a specific standard for what percentage of B-On-Time participants should be expected to successfully meet the requirements of the program. Clearly, the Legislature anticipated that the forgiveness of four years of college costs would incentivize these students to appreciably exceed the average. For students graduating from four-year public universities, an average of 27 percent graduated in four years. Thus, B-On-Time participants did exceed the average of four-year public universities, and with B-averages. However, with this level of incentive, the State should be able to anticipate a higher level of success.

**The B-On-Time program's 22 percent default rate poses a risk of more than \$13.5 million in lost revenue to the State.**

Of the 10,875 B-On-Time students who are no longer in school and did not qualify for loan forgiveness, 22 percent defaulted on their B-On-Time loans — close to triple the 8 percent default rate of the Coordinating Board's other loan program, the College Access Loan (CAL). When calculated in line with federal standards, the default rate for B-On-Time is also significantly higher than the federal student loan program default rate of 10 percent in Texas.<sup>11</sup> Defaulted B-On-Time loans from fiscal year 2004 through February 1, 2012 involved more than \$13.5 million owed to the State. Most B-On-Time recipients who default on their loans have not graduated, and most default in the first two years of repayment. If a B-On-Time loan goes into judgment after defaulting, the student's financial record would be blemished, creating potential financial obstacles for that student in the future.

One significant element of B-On-Time's high default rate results from the lack of a credit evaluation or co-signer with good credit standing. B-On-Time loans are also interest free, except in the limited number of cases when a judgment is obtained against a defaulted borrower, giving students little incentive to pay their loans back quickly because the amount owed never increases. In comparison, the Coordinating Board's other loan program, CAL, has a 5.25 percent interest rate.

---

*No expectation exists for the percentage of participants who should meet B-On-Time's requirements.*

---



---

*B-On-Time's default rate is close to triple that of the agency's other loan program.*

---

B-On-Time's high default rate also results in increased loan servicing, collection, and litigation costs to the State, but the program has no interest rate or a substantive late fee to cover these costs. While the Coordinating Board charges a 3 percent origination fee and a late fee of \$5 or 5 percent of the monthly payment, these fees are too small to cover the related administrative costs.

**Texas has a continuing interest in providing financial aid to students to promote access to college, and to encourage significantly more students to graduate within a reasonable amount of time.**

---

*Average tuition and fees at Texas' public four-year institutions have increased 109 percent over the last 10 years.*

---

Over the last 10 years, average tuition and fees at Texas public four-year institutions have increased from \$3,428 to \$7,166 per year, representing a 109 percent increase.<sup>12</sup> Unfortunately, student financial aid has not always been able to keep pace with these growing tuition costs. For example, between fiscal years 2008 and 2009, half of TEXAS Grant eligible students did not receive an award.<sup>13</sup> In 2009, low-income students at public four-year institutions in Texas had unmet financial needs averaging \$8,000 or more, making state financial aid programs critical to granting such students access to college.<sup>14</sup>

The state also continues to face a serious problem of low graduation rates. As the state's population expands, lower percentages of the population with post-secondary credentials will negatively affect the state's economy. B-On-Time is the only state program designed to encourage timely graduation. Despite its flaws, the state benefits from a program that supports access to college through no-interest loans and encourages graduation.

**B-On-Time is not structured to effectively meet the needs of students in public two-year institutions.**

---

*B-On-Time is the only state program designed to encourage timely graduation.*

---

Specific to public two-year institutions, the B-On-Time program does not address the needs of its students, given that a large portion are not full-time students. The largely non-traditional student population attending public two-year institutions often cannot meet the initial or ongoing eligibility requirements for the program. In contrast, program requirements for the Texas Educational Opportunity Grant (TEOG) are designed to meet the needs of public two-year institution students, allowing students to enroll part-time. In fiscal year 2011, public two-year institutions disbursed \$11.3 million, or 94 percent of appropriated funds, in TEOG to students. In comparison, public two-year institutions only disbursed \$212,339, or 3 percent of appropriated funds, in B-On-Time loans to students.

## Recommendations

### *Change in Statute*

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

This recommendation would slightly lengthen the yearly and credit hour requirements for B-On-Time forgiveness to open the financial aid program to more students and make it more attractive to potential participants. The recommendation would not change the B-average requirement, but would make a program participant eligible for forgiveness if they complete their degree:

- within 4.5 calendar years after the date the student initially enrolled in an eligible institution;
- within 5.5 calendar years after the date the student initially enrolled in an eligible institution, if the degree is in architecture, engineering, or any other program determined by the Coordinating Board to require more than four years to complete; or
- by earning no more than 12 hours beyond the requirements of the completed degree (including transfer hours).

Under this recommendation, more students should be able to meet forgiveness requirements because students would have a longer period or more credit hours in which to complete their degree. While some may argue that lengthening the requirements for forgiveness would change the basic intent of B-On-Time, these changes address the most common reason heard as to why students do not sign up for the program.

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

This recommendation would require the Coordinating Board to establish credit standards to verify that B-On-Time applicants receive a favorable credit evaluation or provide a co-signer who has good credit standing before taking out a loan, as is required by the agency's other loan program, the College Access Loan. The Coordinating Board would establish and adopt in rule minimum credit requirements. Adding a credit check component to a borrower's B-On-Time eligibility requirements would ensure that the Coordinating Board is making a secure investment in the borrower or has another person to hold accountable for paying the loan back if the borrower defaults. Students who are not eligible for the B-On-Time program as a result of the credit requirements would still be able to seek financial aid that does not require a credit check, such as grants and federal loans.

#### **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.**

This recommendation would eliminate all two-year institutions — including community colleges, public technical colleges, public state colleges, and private two-year institutions — as eligible institutions for the B-On-Time program since few students from these institutions qualify for the program. This change would work in conjunction with Recommendation 4.4 to maintain this financial aid for students at public two-year institutions, including community, technical, and state colleges, by transferring B-On-Time funding for these institutions to the Texas Educational Opportunity Grant program, which is uniquely structured to meet the needs of public two-year institution students. The two two-year private

institutions that received but did not disburse any B-On-Time funding in fiscal year 2011 would not receive funding through either the B-On-Time or TEOG program.

### ***Change in Appropriations***

#### **4.4 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.**

Under this change, the Legislature would transfer B-On-Time general revenue funding previously allocated for public two-year institutions, including community, technical, and state colleges, to the Texas Educational Opportunity Grant program. Current B-On-Time participants at all two-year institutions would continue to have their loans renewed using general revenue funds until they graduate or no longer meet the program's eligibility requirements. Funding for renewal B-On-Time participants at public two-year institutions would be phased out of the B-On-Time program into TEOG as those students complete or withdraw from the B-On-Time program. As a result of this recommendation, tuition set-asides assessed on students at public four-year institutions would no longer subsidize students enrolled in the B-On-Time program at public two-year institutions.

### ***Management Action***

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

Under this recommendation, the Coordinating Board would be required to report on the progress of the B-On-Time program in its existing *Report on Student Financial Aid in Texas Higher Education* to the Legislature. The Coordinating Board would track key performance measures for B-On-Time, including the amount of funds disbursed, number of students achieving loan forgiveness, and default rate, to ensure the changes to the program improve outcomes. If program outcomes do not improve after four years, the Legislature should consider abolishing the B-On-Time program and transferring its funding to other state financial aid programs.

#### **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.**

To encourage more students to sign up for B-On-Time, the Coordinating Board and institutions should promote B-On-Time as a no-interest loan program with a possibility of loan forgiveness, not a grant that becomes a loan if requirements are not met. The program would become a loan with a potential reward instead of a grant with a potential penalty. The Coordinating Board and institutions should also emphasize that students can satisfy forgiveness requirements in two ways: graduate within a certain number of years or, regardless of the length of time, graduate within a certain amount of credit hours, as long as the student remains a full-time student. Changing the marketing approach would convey the program's flexibility to students and encourage more students to participate.

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

The Coordinating Board, through the Commissioner of Higher Education, should seek changes to federal regulations to exclude state-sponsored student loan programs from federal alternative student loan regulations. Removing alternative loan regulations for state loan programs would allow financial

aid officers at institutions to fully promote all of the State's loan programs, including B-On-Time, without legal uncertainties.

## **Fiscal Implication**

Transferring general revenue in an amount equal to the allocation for public two-year institutions, including community, public technical, and public state colleges, in the B-On-Time program to the Texas Educational Opportunity Grant program would not result in a net fiscal impact to the State. To allow renewal students enrolled in public two-year institutions the opportunity to complete the program, funding for those students would not be phased out of the B-On-Time program and into TEOG until all renewal students graduate or no longer meet the program's eligibility requirements. The Coordinating Board should work with the House Appropriations and Senate Finance Committees, in conjunction with the Legislative Budget Board, to provide an estimate of funding needed for B-On-Time renewal students at all two-year institutions for fiscal years 2014 and 2015. In fiscal year 2011, funding for B-On-Time participants at public two-year institutions totaled \$212,339 or 3 percent of the \$7,127,390 total allocation for public two-year institutions in B-On-time.

1 Independent Colleges and Universities of Texas, Inc., *ICUT Annual Statistical Report 2010*, accessed February 13, 2012, [http://www.icut.org/documents/ICUTAnnualStatisticalReport---2010\\_000.pdf](http://www.icut.org/documents/ICUTAnnualStatisticalReport---2010_000.pdf). The information on public institutions graduation rates, as well as additional data on graduation rates, is detailed in Appendix F of this report. The graduation rates for private institutions include both first-time, full-time and part-time students, while the public institutions represent only first-time, full-time students.

2 Subchapter Q, Chapter 56, Texas Education Code.

3 Section 56.462, Texas Education Code.

4 Section 56.465(a), Texas Education Code.

5 "Yesterday's Nontraditional Student is Today's Traditional Student," Center for Postsecondary and Economic Success, last modified June 29, 2011, <http://www.clasp.org/admin/site/publications/files/Nontraditional-Students-Facts-2011.pdf>.

6 Section 56.456, Texas Education Code; A student's B-On-Time loan can be renewed even if they are progressing at a slower pace and with a lower grade point average than would be required for loan forgiveness upon graduation. To continue to receive a B-On-Time loan, a student must meet satisfactory academic progress toward a degree or certificate by the end of the first academic year. By the end of the second and subsequent academic years, a student must complete at least 75 percent of the semester credit hours attempted in the most recent academic year and have a cumulative grade point average of at least a 2.5. In contrast, to be eligible for loan forgiveness, a B-On-Time student must graduate with a cumulative grade point average of at least 3.0 and within a specific number of years or credit hours.

7 Section 56.459(a), Texas Education Code.

8 Truth in Lending Act (12 C.F.R. Part 226.46, 226.47, 226.48); The Higher Education Opportunity Act (Public Law 110-315, Title X, Subtitle A, Section 1011, Subsection 140(a)(7)(A)(i)).

9 Section 56.459(f), Texas Education Code; 19 T.A.C. Section 21.123.

10 B-On-Time participants who have completed school and are now in grace and deferment periods are considered "not forgiven." In rare situations, students who have already left school could re-enroll and meet the requirements for B-On-Time Loan forgiveness.

11 "Official Cohort Default Rates for Schools," U.S. Department of Education, last modified January 4, 2012, [www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html](http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html); "FY 2009 Official Cohort Default Rates by State/Territory," U.S. Department of Education, last modified July 31, 2011, [www2.ed.gov/offices/OSFAP/defaultmanagement/2009staterates.pdf](http://www2.ed.gov/offices/OSFAP/defaultmanagement/2009staterates.pdf). The national cohort default rate for the Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program is 8.8 percent, and the cohort default rate for the State of Texas's federal loans is 10.1 percent. The Coordinating Board uses a more stringent default methodology than the federal government, but when adjusted to fit the federal student loan default rate calculation, the B-On-Time default rate is 23 percent. B-On-Time and federal loan default rates are not an exact comparison because federal loans are considered in default after 270 days of delinquency, and B-On-Time loans are considered in default after 180 days of delinquency. The federal student loan default rate captures loans that default within the first two years of repayment, while B-On-Time default rate captures loans that go into default over the life of the loan, approximately 15 years. To compare the B-On-Time default rate to the federal default rate, the B-On-Time default rate was adjusted to include only the loans that defaulted in the first two years, but the B-On-Time rate cannot be adjusted to account for the difference in the number of days loans have to be delinquent before they are counted as defaults.

12 "Higher Education Accountability System: Average Tuition and Fees," Texas Higher Education Coordinating Board, accessed February 23, 2012, <http://www.txhighereddata.org/Interactive/Accountability2011/InteractiveGenerate.cfm>

13 Marlena Creusere, Carla Fletcher, Micki Neal, and Melissa Shook, *State of Student Aid and Higher Education in Texas* (Round Rock, TX: Texas Guaranteed Student Loan Corporation, 2011), p. 43, accessed February 3, 2012, <http://www.tgslc.org/pdf/SOSA.pdf>.

14 *Ibid.*, p. 60.



# RESPONSES TO ISSUE 4

## Overall Agency Response to Issue 4

Agree. The Texas Higher Education Coordinating Board (THECB) agrees that the B-On-Time loan program is not working as intended and recommends that the program be completely restructured. While many of the Sunset staff recommendations attempt to improve the program to increase participation and effectiveness, the agency states that they do not go far enough.

## Agency Modification

1. Repurpose the B-On-Time loan program to a funded Undergraduate Tuition Rebate Program — Campus-based under the undergraduate tuition rebate statute with current B-On-Time forgiveness requirements and funded with current B-On-Time tuition set-asides.
  - Tuition set-asides collected by the institution would be retained by the institution for the benefit of their own students. No funds would be swept by the state to be used at other campuses.
  - Every undergraduate student that funds the program would have an opportunity to benefit from the tuition set-asides paid. Incentives to finish “on time” would be realized by every enrolling freshmen student.
  - Students meeting the rebate criteria would be guaranteed to get back at least the amount of set-asides contributed (i.e. if 100 percent of students graduate on time with a B average, each student would get back exactly what they contributed).
  - Award amounts would be limited to the maximum of tuition and fees paid by a student during their four years. If a campus has so few students that qualified for the rebate, the most they could receive would be actual tuition and fees charged.
  - There would be a high incentive for a student to graduate under the program at a campus that has a low graduation rate.
  - Recipients of state grant aid (e.g., TEXAS Grant, Texas Educational Opportunity Grant) would be ineligible for the B-On-Time rebate (their tuition and fees have already been covered by the state).
  - If any excess funds should remain at a campus due to a shortfall of eligible graduates, the institution could use the funds in the following academic year to issue need-based grants to resident undergraduate students enrolled at the institution.
  - Institutions would follow current undergraduate tuition rebate procedures established in Texas Education Code 54.0065 and THECB rules.
  - If students had outstanding student loan debt, the rebates would first pay down these loans.

- Possible tax consequences would still remain for students who took deductions/credits for previous tuition paid.

(Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### **Recommendation 4.1**

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

#### **Agency Response to 4.1**

Disagree. The agency states that this recommendation not only goes against the very purpose of the program by extending the yearly and credit hour graduation requirements for loan forgiveness, it also goes contrary to the THECB's policy recommendations to reduce time-to-degree. Since some students claim that they cannot graduate in a timely fashion because the courses they need to complete their degree are at capacity or unavailable, the THECB states that it will look into this issue. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 4.1**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

Carol McDonald, President – Independent Colleges and Universities of Texas, Austin

#### **Against 4.1**

None received.

### **Recommendation 4.2**

*Require the Coordinating Board to set minimum credit requirements to obtain a loan through the B-On-Time program.*

#### **Agency Response to 4.2**

Disagree. The agency states that this recommendation will reduce overall access to the program for many low-income students. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 4.2**

Carol McDonald, President – Independent Colleges and Universities of Texas, Austin

#### **Against 4.2**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

**Modification**

2. The Coordinating Board should conduct or collaborate with other entities to provide B-On-Time loan counseling and default prevention strategies modeled after similar programs used in federal loan programs. (Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

**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.*

**Agency Response to 4.3**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 4.3**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

Bill Hammond, President – Texas Association of Business, Austin

**Against 4.3**

None received.

**Recommendation 4.4**

*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.*

**Agency Response to 4.4**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 4.4**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

Carol McDonald, President – Independent Colleges and Universities of Texas, Austin

**Against 4.4**

None received.

### **Recommendation 4.5**

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

#### **Agency Response to 4.5**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

#### **For 4.5**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

#### **Against 4.5**

None received.

#### **Modification**

3. Require the Coordinating Board to report the following performance measures of the B-On-Time loan program, in addition to the measures in the staff recommendation:

- 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 forgiveness; and
- number of students in default.

(Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

### **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.*

#### **Agency Response to 4.6**

Agree. The THECB believes promoting the B-On-Time program as a loan program with the opportunity for loan forgiveness may resonate more effectively with parents who presumably have more knowledge and experience with taking out loans than their children. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 4.6**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

**Against 4.6**

None received.

**Recommendation 4.7**

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

**Agency Response to 4.7**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 4.7**

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

**Against 4.7**

None received.

**Modification to Issue 4**

4. Require the Coordinating Board to adopt strategies to ensure that the B-On-Time loan program is an efficient and successful program and work with college-access and other community-based organizations to promote the program and achieve the following:
  - a. educate students on how the loan program works to achieve loan forgiveness;
  - b. ensure that students understand their responsibilities for loan repayment;
  - c. ensure that students receive information and understand the default prevention strategies should they be required to pay back the loan; and
  - d. provide loan repayment and default prevention counseling, modeled after similar federal programs.

(Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin)

# COMMISSION DECISION ON ISSUE 4

(JUNE 2012)

Adopted Recommendations 4.3, 4.4, 4.5, and 4.7.

# FINAL RESULTS ON ISSUE 4

(JULY 2013)

## ***Legislative Action — S.B. 215***

**Recommendation 4.3** — Senate Bill 215 removes all two-year institutions from participation in the B-On-Time Loan Program. The bill changes the basis for the program's funding allocation from an institution's enrollment to the proportion of dedicated tuition set-asides paid by the institution. Senate Bill 215 makes the amount of an individual B-On-Time loan flexible. The bill requires the Board to develop measures to address low participation and forgiveness rates for the program, and requires the Board to provide loan counseling to address high loan default rates. The bill also requires an institution with a default rate that exceeds, or a forgiveness rate that is below, the program's state average to provide loan repayment and default prevention counseling.

**Recommendation 4.4** — The Legislature, through the appropriations process, increased funding for the Texas Educational Opportunity Grant program. However, funding was not reduced for the B-On-Time Loan Program.

## ***Management Action***

**Recommendation 4.5** — Requires the Coordinating Board to include information about the B-On-Time Loan Program's progress in its annual financial aid report.

**Recommendation 4.7** — Directs the Coordinating Board to seek a revision to federal regulations for alternative loans to exclude restrictions on state-sponsored loan programs.

## ISSUE 5

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

#### Background

In 2011, the Coordinating Board disbursed almost \$910 million to more than 100 colleges and universities in Texas. About \$725 million, or 80 percent of these funds, supports student financial aid, both grants and loans, and \$185 million, or 20 percent, funds a variety of academic grants to institutions of higher education. The agency also collects, analyzes, and reports on a substantial amount of data from these institutions that is critical to the planning and funding of higher education in Texas.

The agency monitors institutions' funding and data to a varying extent with different staff throughout the agency, but does not currently have any centralized system for compliance monitoring across agency programs. The agency's internal auditor also plays a role in auditing selected institutions' use of financial aid and reported enrollment data, and the State Auditor has audited a portion of enrollment data.

#### Findings

##### **The Coordinating Board does not sufficiently monitor the funds it disburses to institutions to ensure their appropriate and effective use, putting state funds at risk.**

A key component of any effective funding program is regular monitoring and assessment of the funding recipients' compliance with statute, rule, and program guidelines. Even with good controls in place and the absence of fraud, funds administration is subject to human error, putting state funds at risk of misuse. However, the Coordinating Board does not have a process in place to routinely monitor institutions' use of financial aid and other grants it administers.<sup>1</sup>

In 2009, the State Auditor's Office (SAO) audited state-funded financial aid at seven institutions of higher education and recommended that the Coordinating Board improve its monitoring of financial aid to institutions.<sup>2</sup> Rather than establishing an ongoing monitoring system, the Coordinating Board directed its Internal Auditor to audit certain institutions' compliance with statute, rules, and regulations.

The agency's internal audits revealed weak internal controls at certain institutions that allowed state funds to be awarded to ineligible students. These students did not meet various program requirements, such as financial need, selective service registration, enrollment in an undergraduate degree program, completion of the recommended high school program, or satisfactory academic progress. Agency audits also found that some institutions did not return unused funds promptly to the Coordinating Board. These findings clearly indicate the potential for similar problems at other institutions.

---

*Audits of certain institutions revealed that state funds were awarded to ineligible students.*

---

From 2008 to 2012, the Coordinating Board's Internal Auditor uncovered more than \$365,000 in misallocated state funds, as detailed in the chart, *Coordinating Board Financial Aid Audits Finding Noncompliance*. Despite continuing to find problems in these isolated audits, the Coordinating Board did not take steps to establish a more routine and ongoing monitoring system to ensure institutions' proper use of financial aid and grant funds.

***Coordinating Board Financial Aid Audits Finding Noncompliance, FYs 2009–2012***

<b>Fiscal Year</b>	<b>Audited Institution</b>	<b>Finding</b>	<b>Misused Funds</b>
2009	Southwestern University	Financial aid funds awarded to ineligible students.	\$97,144
2010	Prairie View A&M University	Financial aid funds awarded to ineligible students.	\$10,340
2011	Jarvis Christian College	Undisbursed financial aid funds not returned to the Coordinating Board. Financial aid funds awarded to ineligible students.	\$240,401
2011	Concordia University	Financial aid funds awarded to students for which the university could not provide documentation showing their eligibility.	\$16,297
2012	Texas Tech University	Financial aid funds awarded to an ineligible student.	\$3,040
<b>Total</b>			<b>\$367,222</b>

In comparison to financial aid, the funds the Coordinating Board flows to institutions for grants for academic support and college readiness involve less money and therefore less risk. However, monitoring is still key to ensuring the proper use and effectiveness of these grants. The agency performs some monitoring of these funds, but it is inconsistent across different programs. For example, more than half of these funds are federal Perkins Grants, which staff monitors closely, including site visits at least every four years, because federal rules require such monitoring to receive the funds. For other grants, the agency performs some basic contract monitoring, but its efforts rely on progress reports from institutions, and staff rarely performs site visits to verify the information.

To ensure effective monitoring of the funds the agency disburses to institutions, certain basic standards should be met. For student financial aid, the Coordinating Board allocates funds to institutions that, in turn, allocate funds to students participating in financial aid programs. Compliance monitoring should address questions such as whether students are receiving the services they should and whether taxpayer funds are going only to eligible students.

For grant programs, monitoring should assess whether funding recipients are accurately reporting progress in achieving the expected outcomes and whether recipients are making only allowable expenditures. All programs should return unused funds promptly. Monitoring can vary from desk reviews

---

*Despite finding problems, the agency did not establish more routine monitoring of institutions.*

---



of progress reports and expenditure documents to site visits to directly check the recipient's accounting systems, case files, and databases. The textbox, *Compliance Monitoring Standards*, outlines key best practices for effective monitoring.<sup>3</sup>

### ***Compliance Monitoring Standards***

- **Consistent Over Time.** Ensures problems are found and helps to prevent problems from developing.
- **Consistent Across the Agency.** Ensures monitoring is done similarly across different programs.
- **Transparent.** Ensures monitored entities know what criteria the agency is using to monitor their activities.
- **Risk-based.** Ensures level of monitoring — reporting, desk reviews, or site visits — is based on the level of risk involved, such as the amount of funding and/or the effectiveness of the recipient's own internal controls.
- **Educational.** Ensures monitoring assesses the recipient's need for, and provision of, technical assistance.
- **Thorough.** Ensures recipients are required to correct deficiencies, with follow-up to ensure corrective action was taken.
- **Proactive.** Ensures problems are translated into improvements in guidelines to prevent them from occurring again.

Compliance monitoring is a common function among state agencies administering large amounts of funds. For example, the Texas Department of Housing and Community Affairs' compliance monitoring ensures that entities receiving nearly \$1 billion in mostly federal multifamily housing assistance adhere to program guidelines. Compliance monitoring staff review housing developers' eligibility for funds and ongoing compliance with program requirements after housing projects are built. The Department conducts desk reviews of annual reports submitted by properties in its portfolio, and makes site visits at least once every three years, or more often if indicated based on risk.

### **The State's monitoring of the accuracy of critical data that institutions report to the Coordinating Board is insufficient and fragmented, increasing risk to higher education funding and planning.**

The Coordinating Board does not have a process in place to routinely monitor the critical data that is self-reported by institutions in Texas, and the limited level of monitoring that does exist is split between the Coordinating Board and SAO. Monitoring to ensure the accuracy of data is a critical function of any agency that relies heavily on data to drive its key decisions and funding. The Legislature, institutions, and the public rely on the agency for timely and accurate information about higher education in Texas.

Enrollment data compiled by the Coordinating Board is of particular importance. The Legislature uses this data to allocate state resources equitably among public institutions of higher education. In fiscal year 2012, formula funding for public higher education totaled \$3.8 billion across

---

*Compliance monitoring is a common function among state agencies administering large amounts of funds.*

---

104 institutions.<sup>4</sup> The textbox, *Higher Education Formula Funding*, breaks these appropriations out by type of institution. Enrollment data, generally measured by class hours, determines between 75 and 100 percent of formula funding, depending on the type of institution.<sup>5</sup>

**Higher Education Formula Funding – FY 2012**

Type of Institution	Formula-funded Appropriation
General Academic Institutions and State Colleges	\$2,189,600,000
Community Colleges	\$866,100,000
Health-Related Institutions	\$767,500,000
<b>Total</b>	<b>\$3,823,200,000</b>

The State’s long-range plan for higher education, *Closing the Gaps by 2015*, depends significantly on data reported by institutions, as the plan is both driven and measured by enrollment and graduation rates. The Coordinating Board also uses data to develop new policy recommendations. For example,

the agency collects information on students requiring developmental education to evaluate and recommend new college readiness and remediation strategies. Without careful monitoring of this data, the State risks making key decisions on the basis of inaccurate information. Should the Legislature begin funding institutions based on outcomes, in addition to enrollment, the accuracy of other data, including graduation rates and developmental education hours, will become even more important.

*Without careful monitoring, the State risks making key decisions based on inaccurate data.*

As a result of recent legislative changes, the responsibility for monitoring enrollment data reported for use in formula funding is now split between the Coordinating Board and SAO. Until fiscal year 2012, the Legislature relied on the State Auditor to help verify the accuracy of enrollment data. Between fiscal years 2008 and 2012, SAO audited eight public four-year universities and 11 community colleges.<sup>6</sup> However, a rider in the General Appropriations Act for fiscal years 2012 and 2013 shifted this responsibility to the Coordinating Board for public community colleges.<sup>7,8</sup> Thus, ensuring the accuracy of the community college portion of this data will now rely on the Coordinating Board. Neither the Coordinating Board nor SAO is directed to conduct ongoing, routine monitoring of enrollment data; both agencies perform full audits of a limited selection of institutions. Two separate entities responsible for auditing different types of institutions also does not ensure consistent audit methodologies across types of institutions.

The Coordinating Board uses a software program to check for errors and variation in enrollment data from year to year, and may request written explanations from institutions, but staff does not verify discrepancies through desk audits or site visits. The agency’s Internal Auditor conducted audits of enrollment data in seven of its 23 audits of institutions between fiscal years 2008 and 2012, uncovering problems in reported enrollment data at five institutions, four of which resulted in inaccurate formula funding. The Coordinating Board secured refunds for \$2.2 million in funding from institutions that had misreported past enrollment data. The chart on the following page, *Coordinating Board Enrollment Data Audits Finding Noncompliance*, details the results of these audits. These findings, while

limited, indicate the potential for similar problems at other institutions. In addition to its new rider responsibilities, these findings indicate a clear need for the Coordinating Board to develop a new system of ongoing and regular monitoring of institutions' enrollment data.

**Coordinating Board Enrollment Data Audits Finding Noncompliance, FYs 2008–2010**

<b>Fiscal Year</b>	<b>Audited Institution</b>	<b>Finding</b>	<b>Misused Funds</b>
2008	Navarro College*	Special funds appropriated for class hours at a new campus were actually taught online.	\$1,500,000
2008	Houston Community College*	Excess class hours reported, resulting in formula funding overpayment.	\$119,708
2009	Galveston College*	Excess class hours reported, resulting in formula funding overpayment.	\$588,873
2009	Houston Community College	Class rosters did not match reported for-credit class hours, resulting in inaccurate formula funding.	N/A**
2010	Texas Woman's University	Class rosters did not match reported for-credit class hours, resulting in inaccurate formula funding.	N/A**
<b>Total</b>			<b>\$2,208,581</b>

\* Joint audit with the Special Investigations Unit of the State Auditor's Office.

\*\* The size of the samples used and error rates found did not allow the Coordinating Board to pursue refunds.

In comparison, the Texas Education Agency (TEA) monitors the accuracy of average daily attendance data reported by more than 1,200 school districts and charter schools to identify potential reporting errors, because the agency uses that data as the primary factor in its allocation of state funds for public education. TEA staff reviews one-third of reported attendance data and, when variance is found, conducts either a desk or on-site audit of the school district or charter school to determine the cause of the discrepancy, and ultimately requests refunds of any funds allocated based on inaccurate data. The agency uses a risk-based approach to auditing, with half of its audits determined by staff's initial data analysis and the other half determined by the school districts that had the highest numbers of funding adjustments based on misreported data in the previous year. In fiscal year 2011, TEA's school attendance monitoring resulted in a return of \$7.5 million in misallocated state funds. In contrast to its role in higher education, SAO does not routinely audit school districts or charter schools to ensure accurate attendance data reporting, but has audited TEA's monitoring of average daily attendance reporting.<sup>9</sup>

**The Coordinating Board’s reliance on its internal audit office to audit institutions diverts the office from its core mission and could impair its ability to independently review all aspects of the agency’s operations.**

The Legislature recognized the risks associated with the Coordinating Board’s functions and in 1989 amended the agency’s statute to require the governing board to appoint an internal auditor who reports directly to the Board.<sup>10</sup> The agency also comes under the general requirements of the Texas Internal Auditing Act, as an agency with a budget of more than \$10 million and staff of more than 100.<sup>11</sup> In 2007, an outside management audit of the Coordinating Board made recommendations to strengthen the agency’s internal controls, including recommending increasing resources for internal audit commensurate with the level of risk involved in agency activities.<sup>12</sup>

*From 2009 to 2012, audits of institutions made up 28 percent of internal audit’s workload.*

However, instead of focusing on the agency’s own internal controls, the Coordinating Board often uses its Office of Internal Auditor to perform audits of institutions of higher education. Compliance monitoring of institutions is not central to the mission of an internal auditor, and can present conflicts for its internal work. Compliance monitoring at institutions is a Coordinating Board function that should be evaluated by internal audit. If the internal auditor is also involved in performing these duties, it can compromise the auditor’s ability to independently evaluate the effectiveness of the agency’s monitoring. In fact, the Texas Internal Auditing Act specifically requires that “a state agency provide for the auditor to be free of all operational and management responsibilities that would impair the auditor’s ability to review independently all aspects of the agency’s operation.”<sup>13</sup>

Use of internal audit staff for work such as compliance monitoring also distracts from their core function. From 2009 to 2012, the internal audit office conducted 23 audits of institutions. The chart, *Coordinating Board Internal Audits*, shows these audits made up 28 percent of the total internal audits for those years. While these compliance audits are useful for uncovering problems at particular institutions, the Board should not rely on its Internal Auditor to regularly find such problems.

**Coordinating Board Internal Audits, FYs 2009–2012**

Fiscal Year	Audits of Institutions	Audits of the Agency’s Operations	Other	Total
2009	4	6	7	17
2010	5	3	6	14
2011	10	6	10	26
2012	4*	12	9	25
Total	23 (28%)	27 (33%)	32 (39%)	82 (100%)

\* Two of these audits are planned, not completed.

The Coordinating Board is also beginning to use its internal audit function to audit the effectiveness of its own programs. While program effectiveness can sometimes be a part of an internal audit function, it should not duplicate other effectiveness reviews or be done at the expense of internal audit's primary audit functions. In fiscal year 2012, the Coordinating Board's Internal Auditor plans to perform audits on the effectiveness of two programs, although the agency's research and evaluation staff already spends significant time and resources reviewing these same programs to ensure they are achieving desired outcomes.<sup>14</sup> By conducting duplicative effectiveness reviews, rather than looking at whether Coordinating Board programs have adequate internal controls, internal audit could miss larger agency problems.

## Recommendations

### *Change in Statute*

#### **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.**

This recommendation would statutorily require the Coordinating Board to create a compliance monitoring function for grant and loan funds flowing out of the agency and self-reported data coming into the agency, including enrollment data from public universities and state colleges currently subject to audit by SAO. This recommendation would eliminate the need for enrollment data audit requirements in rider, and consolidate monitoring and audits of enrollment data from all types of institutions at the Coordinating Board.

The compliance monitoring function would be required to conduct regular monitoring of financial aid, the largest category of state funds flowing through the Coordinating Board to institutions of higher education, to ensure that state funds go to eligible students. The monitoring function should also review the use of academic support grants, and any other grants, including college and career readiness and success efforts, allocated to institutions and other entities.

The new monitoring function would review financial aid and grant reporting by institutions for inconsistencies and conduct more comprehensive audits, possibly including site visits, of a more limited amount of the total dollars administered by the Coordinating Board, according to risk. In setting up its monitoring function, the Coordinating Board should determine a reasonable amount of funds and criteria for selection of institutions to review within its resources.

The Coordinating Board should also routinely verify key data reported by institutions of higher education, and should conduct more comprehensive data audits of institutions for which variance in reported data is found. The agency should focus on data presenting the highest risks to the State, such as enrollment data used for formula funding, but should also look at other types of data reported by institutions and used by the Coordinating Board for funding or policymaking.

The Coordinating Board should cross-train monitoring staff so that all staff can monitor both funds compliance and data reporting accuracy. Program staff in various divisions currently conducting limited monitoring and contract administration could continue to perform these duties, but should coordinate with the new monitoring function to identify risk and avoid duplication.

The agency would be required to develop written policies and procedures that guide monitoring across programs and that include various levels of monitoring from checking reported data for errors to on-site inspections, depending on risk. The Coordinating Board should develop a risk-based approach to compliance monitoring, prioritizing factors including, but not limited to:

- the amount of money the institution receives;
- whether the institution is required to obtain and submit an independent audit;
- the institution's internal controls;
- the length of time since the institution's last desk review or site visit;
- past misuse of funds or misreported data; and
- for data reporting specifically, whether the data is used for determining funding allocations.

If the monitoring function finds misused funds, the Coordinating Board should request institutions refund the misallocated funds to the Coordinating Board for remittance to the state treasury or directly to the treasury, as appropriate. If the monitoring function finds errors in reported enrollment data, the Legislative Budget Board should work with the Legislature to direct whether, and to what extent, appropriations would be reallocated between legislative sessions, or whether this authority could be delegated to the Coordinating Board.

The Coordinating Board's monitoring function could partner with internal audit offices at institutions, as institutional resources allow, in examining institutions' use of state funds and data reported to the Coordinating Board. To avoid duplication of effort and help the Coordinating Board identify risk, internal auditors at institutions should notify the Coordinating Board of any audits they conduct involving funds administered by the Coordinating Board or data reported to the agency.

In setting up and implementing the compliance monitoring function, the Coordinating Board should seek technical assistance from SAO, when necessary. Under this recommendation, SAO, at its discretion, would audit the Coordinating Board's new monitoring function to ensure that it is adequately designed to review use of financial aid funds and reported data by institutions and to take appropriate action when necessary. Thus, instead of auditing institutions biennially to ensure that they report enrollment data accurately, the State Auditor would periodically audit the Coordinating Board's monitoring of institutions' reported data.

Monitoring how institutions use state funds and report critical data would allow the Coordinating Board to better ensure that state dollars are distributed to eligible students and institutions, and that misallocated funds are returned to the State or reallocated for eligible use by others.

### ***Change in Appropriations***

#### **5.2 The Sunset Commission should recommend that the Legislature use existing state funds and increase the Coordinating Board's full-time equivalent cap for the new compliance monitoring function.**

To fund the monitoring function established by Recommendation 5.1, the Sunset Commission should recommend a change in appropriations that designates for compliance monitoring a small portion of General Revenue used previously for financial aid and formula funding for institutions. As the funds most at risk, the administrative costs of monitoring should come from these two sources before

allocation to institutions. The Legislature often uses a limited amount of grant funds or other allocated funds to pay for the administration of state funds. While using these fund sources for administration represents a real reduction of money to institutions and financial aid, the estimated cost of monitoring represents a tiny fraction of the total funds in need of oversight. The Sunset Commission should also recommend an increase of four full-time equivalents (FTEs) to perform the new monitoring function.

### **Management Action**

#### **5.3 The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations.**

This recommendation would direct the Coordinating Board's internal audit office to focus its resources on audits of agency operations over other types of audits, such as audits of institutions of higher education. This would enable the internal audit office to focus more on fulfilling its core mission of ensuring that the Coordinating Board has adequate internal controls to minimize risks to the State.

For financial aid and other grants flowing through the Coordinating Board, the internal auditor would audit those programs and the new monitoring function established under Recommendation 5.1. The Internal Auditor would no longer conduct routine audits of institutions of higher education, and would only perform audits of institutions when significant risk warrants the Internal Auditor's involvement. The internal audit office should coordinate with the new monitoring function established under Recommendation 5.1 to identify risk, and should coordinate with other divisions to avoid duplication. The Internal Auditor should not conduct effectiveness audits of Coordinating Board programs unless larger areas of internal risk have been addressed.

### **Fiscal Implication**

These recommendations would not result in a net fiscal impact to the State, as additional costs would come from financial aid and institutional formula funding.

Compliance monitoring would have an estimated annual cost of \$310,910 and would require an increase in the agency's FTE cap to add four additional full-time staff. Two staff would be funded by the financial aid disbursed by the Coordinating Board, and two would be funded by the formula funding appropriated to institutions based on data reported to the Coordinating Board. Because the costs for a monitoring function are administrative costs to the two types of state funds at risk, student financial aid and institutional formula funding, the costs would come from these sources prior to allocation to institutions. Half of the monitoring costs, \$155,095, would come proportionally from financial aid programs subject to monitoring, resulting in a slight reduction to the funding available to institutions for student financial aid. The other half of the monitoring costs would come from the general revenue portion of each type of institutional formula funding, divided proportionally, prior to awarding institutional formula allocations.

In fiscal years 2008 to 2011, the limited monitoring of institutions conducted by the agency's Internal Auditor recovered \$2.57 million, an average of about \$640,000 per year. A regular and more comprehensive monitoring function would likely recover additional funds, but the amount would vary depending on the monitoring results. Changes to the agency's internal audit office would not have a significant fiscal impact, as any savings in travel costs from internal audit staff not travelling to institutions would be redirected toward travel costs for the agency's new monitoring function.

- .....
- 1 Staff collects and reviews independent audits of private universities receiving Tuition Equalization Grants.
  - 2 Texas State Auditor's Office, *An Audit Report on Selected State-Funded Student Financial Aid Programs at Seven Higher Education Institutions and the Higher Education Coordinating Board* (November 2009), accessed October 28, 2012, <http://www.sao.state.tx.us/reports/main/10-015.pdf>.
  - 3 Texas Comptroller of Public Accounts, "Monitoring Performance," Chap. 7 in *Contract Management Guide*, accessed January 8, 2012, <http://www.window.state.tx.us/procurement/pub/contractguide/chapter7/MonitoringPerformance.pdf>.
  - 4 The \$3.8 billion figure does not include \$474.7 million in patient income in formula funding strategies that is in addition to the formula funding.
  - 5 Legislative Budget Board, *Financing Higher Education in Texas: Legislative Primer*, (Austin: Legislative Budget Board Staff, 2011), pp. 7, 16, and 22.
  - 6 The State Auditor's Office audited eight public universities and eight public community colleges in its enrollment audits in fiscal year 2009 and conducted special investigations, in collaboration with the Coordinating Board's Internal Auditor, at another three community colleges.
  - 7 Rider 8, p. III-200; Section 9, pp. III-212, III-213; and Section 18, p. III-241, Article 3 (S.B. 1.), Acts of the 81st Legislature, Regular Session, 2009 (the General Appropriations Act).
  - 8 Rider 8, p. III-197, Article 3 (H.B. 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act).
  - 9 Texas State Auditor's Office, *An Audit Report on the Texas Education Agency's Monitoring of Average Daily Attendance Reporting* (September 2009), accessed January 9, 2011, <http://www.sao.state.tx.us/reports/main/10-001.pdf>.
  - 10 Section 61.029, Texas Education Code.
  - 11 Chapter 2102, Texas Government Code.
  - 12 Deloitte & Touche, LLP, *Internal Control Assessment of the Texas Higher Education Coordinating Board*, (Austin: Deloitte & Touche, LLP, 2007).
  - 13 Section 2102.007(b)(2), Texas Government Code.
  - 14 Texas Higher Education Coordinating Board Office of Internal Audit, *Annual Audit Report 2011*, (Austin: Texas Higher Education Coordinating Board, 2011), p. 2; Texas Higher Education Coordinating Board, *Consolidated Annual Program Evaluation Report THECB Funded Programs Fiscal Year 2010*, accessed October 28, 2012, <http://www.theccb.state.tx.us/reports/PDF/2130.PDF?CFID=22300284&CFTOKEN=44155719>, pp. 10–11, 17–18. The Coordinating Board's Research and Evaluation staff has reviews in progress on two Board programs that the internal auditor plans to audit in 2012: the Texas Pathways Project and Developmental Education Demonstration Projects: Community Colleges and Universities.



# RESPONSES TO ISSUE 5

## Overall Agency Response to Issue 5

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

## 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.*

### Agency Response to 5.1

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### For 5.1

Leslie Helmcamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

### Against 5.1

None received.

### Modification

1. Direct the agency to request the State Auditor's Office to audit institutions the program staff judges to be "at-risk" of problems, instead of building a new compliance apparatus at THECB. (Carol McDonald, President – Independent Colleges and Universities of Texas, Austin)

## Recommendation 5.2

*The Sunset Commission should recommend that the Legislature use existing state funds and increase the Coordinating Board's full-time equivalent cap for the new compliance monitoring function.*

### Agency Response to 5.2

Disagree. The THECB strongly disagrees with taking funds away from institutions through the formulas and from students through financial aid dollars. Instead, the THECB recommends that new funds be appropriated to the agency's operating budget to implement these recommendations. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 5.2**

None received.

**Against 5.2**

None received.

**Recommendation 5.3**

*The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations.*

**Agency Response to 5.3**

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

**For 5.3**

None received.

**Against 5.3**

None received.

# COMMISSION DECISION ON ISSUE 5

(JUNE 2012)

Adopted Recommendations 5.1 through 5.3.

# FINAL RESULTS ON ISSUE 5

(JULY 2013)

## ***Legislative Action — S.B. 215***

**Recommendation 5.1** — Senate Bill 215 requires 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. The bill specifies certain factors for establishing a risk-based approach to compliance monitoring. The bill also specifies procedures for circumstances in which the Board finds misused funds or misreported data.

Senate Bill 215 requires institutions to notify the Board of any internal audits conducted involving funds administered by, or data reported to, the Board, or any external audits conducted by private institutions. The bill also authorizes the Board to seek technical assistance from the State Auditor in establishing the compliance monitoring function and allows the State Auditor to periodically audit the Board's compliance monitoring function.

**Recommendation 5.2** — The Legislature, through the appropriations process, used General Revenue, in lieu of existing state funds, to fund the new compliance monitoring function at the Coordinating Board. The Legislature also increased the Coordinating Board's full-time equivalent cap by four to ensure adequate staff for the compliance monitoring function.

## ***Management Action***

**Recommendation 5.3** — The Coordinating Board's Office of Internal Auditor should prioritize its core functions over other duties that divert its focus or impair its ability to independently evaluate the agency's operations.



# ISSUE 6

## *Texas Has a Continuing Need for the Texas Higher Education Coordinating Board.*

### Background

The Legislature created the Texas Higher Education Coordinating Board in 1965 to provide leadership and coordination for the Texas higher education system. The agency's major functions include:

- developing, implementing, and evaluating a long-range strategic plan for Texas higher education;
- collecting, analyzing, and disseminating data on higher education;
- reviewing and approving degree programs and the construction of major facilities at public institutions of higher education;
- administering state financial aid programs and disbursing financial aid funds to institutions of higher education; and
- administering state and federal grant programs to support higher education goals.

The agency coordinates among an expansive system of Texas public higher education institutions that includes 38 universities, 50 community college districts, nine health science centers, three state colleges, and four state technical colleges. The Coordinating Board also collects data from 44 private colleges and universities.

### Findings

#### **Texas has a continuing need to coordinate the efforts of its higher education institutions.**

Because of the decentralized nature of Texas' higher education system, the State benefits from having a statewide perspective on the needs and interests of the higher education system as a whole. Such a perspective makes a coordinating entity uniquely positioned to perform statewide planning for the higher education system. Without identification of statewide goals, individual institutions might put proprietary interests ahead of statewide success.

A key component of identifying statewide goals involves communication with stakeholders, such as higher education institutions and the general public, and ensuring that feedback informs decisions of the Board, as discussed in Issue 1. For example, in 2000, the Coordinating Board worked with stakeholders to develop the State's long-range plan for higher education, *Closing the Gaps by 2015*, to identify the major goals of the Texas higher education system.

---

*The State benefits from having a statewide perspective on the higher education system.*

---

Beyond the statewide goals included in *Closing the Gaps*, the State must also plan for efficiency of the public higher education system. Preventing unnecessary duplication of academic programs and promoting transferability of courses are two examples of ways in which the Coordinating Board plans for an efficient higher education system.

---

*In fiscal year 2011, the agency identified 549 programs producing low numbers of graduates, more than 200 of which closed.*

---

The State needs aggregated, statewide data to gauge progress toward achieving its goals and to serve as the basis for the development of new policies or strategies. For example, the Coordinating Board uses data to support institutional funding formula recommendations and policy recommendations to the Legislature, such as for improved developmental education. For data to be most effective, an agency must ensure data is accurate, appropriately analyzed, and clearly communicated to the Legislature and other stakeholders, as discussed in Issues 3 and 5.

Review and approval of degree and certificate programs allows the State to ensure quality and cost-efficiency, and avoid unnecessary duplication in programs across the public higher education system. In fiscal year 2011, the agency approved 85 applications for new academic and certificate programs and identified 549 programs producing low numbers of graduates — resulting in the consolidation or closure of more than 200 programs. In addition, review of institutional space utilization, in approving facility projects, encourages institutions to keep cost-efficiency in mind when building new facilities.

The State also has a continuing need to administer financial aid programs to ensure a consistent and equitable approach to financial aid policy. Statewide administration of financial aid programs allows the State to target specific statewide goals, such as increasing access to college and increasing the number of graduates in critical, high-demand fields. The agency disbursed \$725 million in grants and loans for student financial aid in fiscal year 2011. As with data, the State must monitor institutions and other recipients to ensure funds are used consistent with the State's intent, as discussed in Issue 5.

---

*Over time, the Coordinating Board has become inundated with programs that divert resources from its core mission.*

---

The State also benefits from having a central administrator of other grant programs, as needed, to accomplish more specific goals for higher education. However, over time, the Coordinating Board has become inundated with administering programs that divert resources from functions more central to the agency's mission, as described in Issue 2.

**Review of the Coordinating Board and other related agencies did not reveal any significant beneficial alternatives for consolidation or transfer of functions.**

No other state agency coordinates or provides a statewide perspective on higher education. While other organizational alternatives exist for the State's efforts to coordinate its system of higher education, examination of a transfer of functions to, or consolidation with, those agencies did not show significant benefits to the State.

- **Texas Education Agency.** The most commonly discussed alternative for the structure and governance of higher education is the consolidation of elementary and secondary education with higher education into a single agency for P-16 education. No substantial benefits were identified in merging the Texas Education Agency and the Coordinating Board. Texas already has several efforts in place to coordinate P-16 education. A single entity would not necessarily lead to improved state-level policy coordination or institutional-level coordination among the various education sectors. Even if coordination did improve, the potential problems arising from operating a much larger bureaucracy and the loss of focus on problems within higher education could have the potential to decrease efficiency and effectiveness rather than increase it. Some small administrative savings could result from this consolidation, but this also would not outweigh the disadvantages.
- **Texas Guaranteed Student Loan Corporation (TG).** Until fall 2010, TG serviced and guaranteed loans for institutions using the Federal Family Education Loan Program (FFELP), and continues to provide financial aid outreach and default prevention programs in the state. While TG does not have experience directly originating loans, with a direct transfer of resources, TG could administer state financial aid programs. However, recent changes in FFELP administration, including decisions for the federal government to service all federal loans directly and to consolidate loan guarantors, have made TG's future uncertain.
- **Texas Workforce Commission (TWC).** Oversight of workforce certificate programs is split between the Coordinating Board, which oversees programs at public community colleges, and TWC, which oversees all other certificate programs. Consolidation of approval of all workforce certificate programs at either agency would create administrative burdens on public community colleges by requiring them to report to two separate oversight agencies.

The Coordinating Board and TWC also both have roles overseeing private career and technical schools that offer degree programs. TWC approves certificate programs offered by private career schools, and the Coordinating Board oversees degree programs offered by career schools. TWC lacks the expertise to ensure the quality of academic degree programs, and transfer of this approval process from the Coordinating Board to TWC would fragment oversight of degree programs. The Coordinating Board and TWC coordinate well on both certificate and degree program approval to avoid duplication. While these functions do overlap, the split is rational and works well.

---

*A single P-16 education entity would not necessarily lead to improved coordination or significant savings.*

---



---

*The Coordinating Board and TWC coordinate well to avoid duplication.*

---

**While organizational structures vary, most states seek to coordinate the efforts of their public higher education institutions.**

All but four states have a higher education coordinating entity at a statewide level. The table, *Other States' Higher Education Coordinating Structures*, describes the organizational structure for higher education coordination in other states. Many states have only one system over institutions of higher education, allowing the system's governing board to provide a statewide higher education perspective.

**Other States' Higher Education Coordinating Structures**

Independent Agency	28
System Board	12
Department of Education/Other Department	6
No Function	4*

\* The California Postsecondary Education Commission was abolished November 18, 2011; Florida has a legislative advisory council; Michigan has no higher education coordinating function; the Washington State Higher Education Coordinating Board was abolished last year, but remains operational until July 2012.

**The state is meeting two of its four higher education goals identified by the Coordinating Board in its long-range plan, *Closing the Gaps*, but Texas may not be prepared to meet its future workforce needs.**

In 2000, the Coordinating Board launched the State's higher education plan, *Closing the Gaps by 2015*, to bring Texas to parity in higher education participation with the ten most populous states. The Coordinating Board is responsible for promoting, monitoring, and reporting progress toward meeting the plan. The table on the following page, *Status of Closing the Gaps*, provides a look at the extent to which the state is meeting its four major goals.<sup>1</sup> In 2011, the state exceeded its targets for participation and success, but was below its targets for research and excellence.

While Texas is on target to meet its success goal of 210,000 additional degrees and certificates by 2015, the state is not adequately prepared to meet its future workforce demands. In 2009, the U. S. Census Bureau ranked Texas 41st in the nation in the percentage of 25 to 34 year olds with an associate degree or higher.<sup>2</sup> Data projections indicate the percentage of the Texas population with a bachelor's degree will decrease from 18.2 percent in 2000 to 12.9 percent in 2040, even as jobs requiring a degree or certificate are likely to increase.<sup>3</sup> A less educated population will earn lower wages and inhibit positive economic growth for the state.

---

*Texas ranks 41st in the percentage of 25 to 34 year olds with an associate degree or higher.*

---



### Status of Closing the Gaps

Goal	Measure	2010 Goal	2010 Actual	Status
Participation	By 2015, increase the participation rate in higher education from 5% to 5.7% of the population by adding an additional 630,000 students. <sup>4</sup>	403,483	485,932	Well Above Target
Success	By 2015, award 210,000 undergraduate degrees and certificates. <sup>5</sup>	171,000	176,604	Somewhat Above Target
Excellence	By 2015, substantially increase the number of nationally recognized programs at Texas higher education institutions.	Texas has made no appreciable progress since 2000.		Well Below Target
Research <sup>6</sup>	By 2015, increase the level of federal science and engineering research and development obligations for Texas from 5.5% to 6.5% of obligations to higher education institutions across the nation.	6.2%	5.9% <sup>7</sup>	Somewhat Below Target

Without balance, the *Closing the Gaps* goals of participation and success can conflict, having potentially detrimental effects on each other. For example, too much focus on allowing participation, or access to college, could decrease college success rates, while too much focus on success could limit access to college. Currently, the Legislature provides formula funding to institutions based solely on one goal — participation — specifically, enrollment on the 12th class day. Efforts to fund institutions based on outcomes, or metrics reflective of success such as graduation, have been unsuccessful or unsustainable. Because funding drives policy changes, a funding approach based solely on enrollment may fail to incentivize institutions to address a series of growing problems, detailed below.

- Substantial developmental education needs and associated costs.** Despite efforts to better prepare high school graduates for college, 41 percent of entering Texas college students required developmental education in 2010. According to the Coordinating Board, costs to remediate underprepared students for entry into college-level classes were approximately \$84 million in academic year 2011. Students needing developmental education courses are also less likely to graduate or graduate on time. In universities, 28 percent of developmental education students graduated in six years, compared to a 63 percent graduation rate for non-developmental education students. In community and technical colleges, the graduation rates also differ significantly — 22 percent of developmental education students versus 42 percent of non-developmental education students graduated in six years.
- Low graduation rates.** Only 57 percent of students at universities in Texas completed a bachelor's degree in six years in 2010. Only 27 percent of students beginning at four-year institutions and 18 percent of students

---

*Forty-one percent of entering Texas college students require developmental education.*

---

beginning at two-year institutions graduate in four years. Appendix F, *Graduation and Persistence Rates*, shows the graduation rates of each public institution of higher education in the state.

- **Large costs to subsidize public higher education for students that do not graduate.** From 2004 to 2009 in community colleges alone, Texas spent \$360 million in state, federal, and local funds on students who dropped out before their second year of college.<sup>8</sup> A student's failure to earn a degree also leaves them with personal debt and no earned credential.

During the 82nd Regular Session, the Legislature passed House Bill 9, instructing the Coordinating Board to present recommendations to the Legislature for outcomes-based funding and declaring the strategy "critical to maintaining the state's competitiveness in the national and global economy and supporting the general welfare of this state."<sup>9</sup> While Sunset staff concurs on the importance of addressing this key issue, staff makes no further recommendations, as the Coordinating Board has already been directed to come forward with recommendations for the 83rd Legislature by July 1, 2012.

## Recommendation

### *Change in Statute*

#### **6.1 Continue the Texas Higher Education Coordinating Board for 12 years.**

This recommendation would continue the Coordinating Board as an independent agency responsible for coordinating the state's system of public higher education for 12 years.

### **Fiscal Implication**

If the Legislature continues the current functions of the Coordinating Board using the existing organizational structure, the agency's annual appropriation of \$753.5 million would continue to be required for its operation, four percent of which funds the agency's operations, and 96 percent of which flows through to institutions for grants and student financial aid.

.....  
<sup>1</sup> Texas Higher Education Coordinating Board, *Closing the Gaps Progress Report 2011*, (Austin, Texas: Texas Higher Education Coordinating Board, 2011) accessed February 2, 2012, <http://www.theccb.state.tx.us/reports/PDF/2357.PDF?CFID=21312897&CFTOKEN=34655621>.

<sup>2</sup> John Michael Lee, Jr. and Anita Rawls, *College Completion Agenda 2011 Progress Report*, (New York, NY: College Board Advocacy and Policy Center, 2011), p. 15.

<sup>3</sup> Steve Murdock, et al. *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, (Texas: The Center for Demographic and Socioeconomic Research and Education, 2002), accessed February 2, 2012, <http://txsdc.utsa.edu/Reports/2002/TexasChallenge/TxChall2002Summary.pdf>.

<sup>4</sup> Actual enrollment in 2000 was 1,019,517, with the goal to achieve 1,650,000 by 2015, which would represent a projected 5.7 percent of the state's population participating in higher education.

<sup>5</sup> Actual number of degrees and certificates awarded in 2000 was 116,235, with the goal to achieve 210,000 by 2015.

<sup>6</sup> The Coordinating Board also tracks a measure to increase research expenditures at public universities and health-related institutions from \$1.45 billion to \$3 billion by 2015, representing an increase of approximately 5 percent each year. In fiscal year 2010, Texas expended \$3.55 billion, well above the 2015 target.

<sup>7</sup> Represents 2008 data, as more recent federal expenditure data is unavailable. Texas reached 6.1 percent of expenditures in 2003.

<sup>8</sup> Mark Schneider and Lu Yin, *The Hidden Costs of Community Colleges*, (Washington D.C.: American Institutes for Research, 2011), accessed February 2, 2012, [http://www.air.org/files/AIR\\_Hidden\\_Costs\\_of\\_Community\\_Colleges\\_Oct2011.pdf](http://www.air.org/files/AIR_Hidden_Costs_of_Community_Colleges_Oct2011.pdf).

<sup>9</sup> House Bill 9, 82nd Legislature, Regular Session, 2011.



# RESPONSES TO ISSUE 6

## Overall Agency Response to Issue 6

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

## Recommendation 6.1

*Continue the Texas Higher Education Coordinating Board for 12 years.*

### Agency Response to 6.1

Agree. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)

### For 6.1

Leslie Helmeamp, Policy Analyst – Center for Public Policy Priorities, College Forward, La Fe Policy Research and Education Center, Texas NAACP, and RAISE Texas, Austin

### Against 6.1

None received.

# COMMISSION DECISION ON ISSUE 6

(JUNE 2012)

Adopted Recommendation 6.1.

# FINAL RESULTS ON ISSUE 6

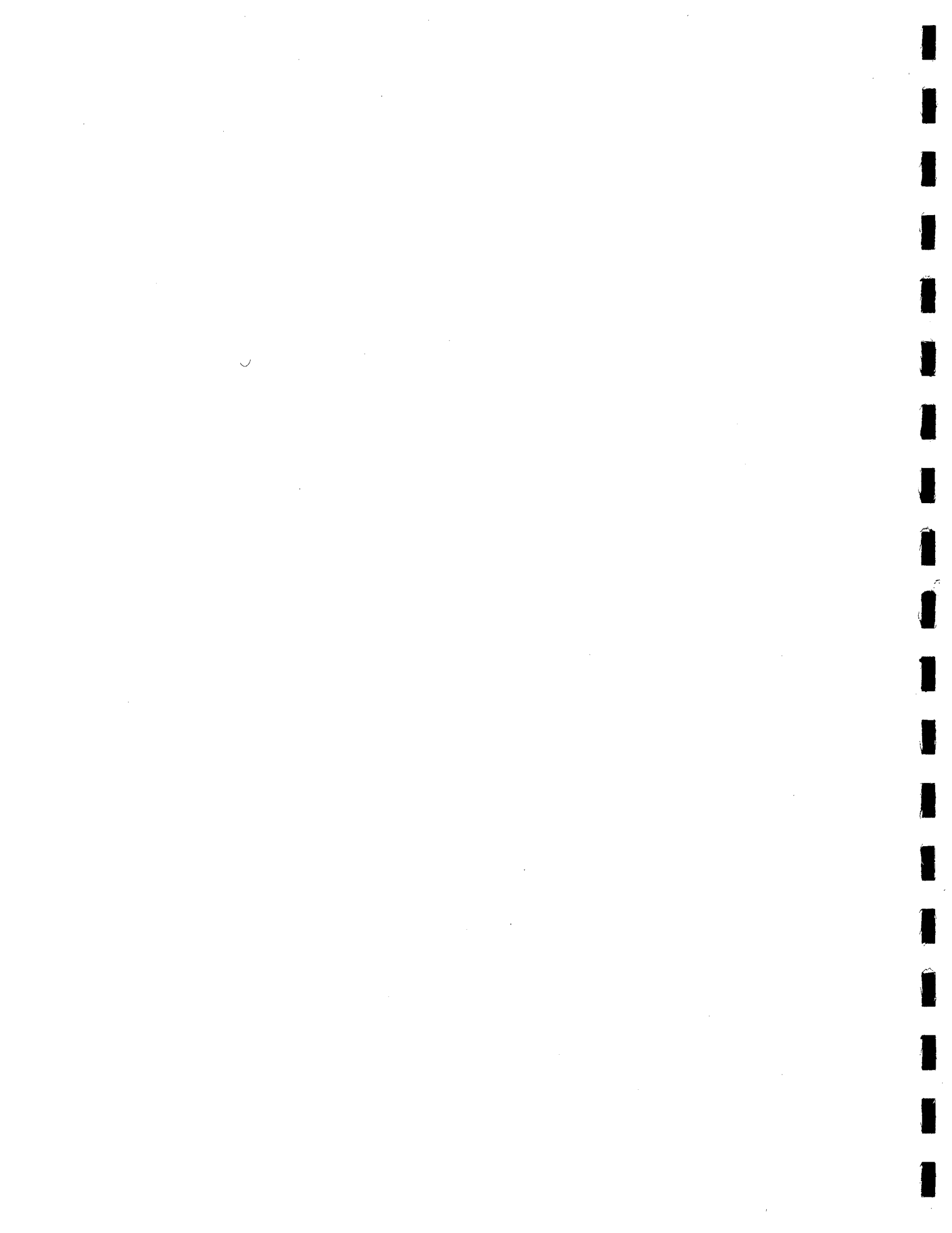
(JULY 2013)

## Legislative Action — S.B. 215

**Recommendation 6.1** — Senate Bill 215 continues the Texas Higher Education Coordinating Board for 12 years.



NEW ISSUES





## NEW ISSUES

The following issues were raised in addition to the issues in the staff report. These issues are numbered sequentially to follow the staff's recommendations.

7. Authorize state agencies to hold public meetings through videoconferencing, or any other electronic means, without violating the intent of the Open Meetings Act. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)
8. Authorize state agencies to hold public meetings through telephonic means without the requirements that the meeting be a special called meeting where immediate action is required and where a quorum is difficult or impossible to achieve. Statutory provisions relating to such meetings being open to the public would, of course, be retained. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)
9. Authorize the Coordinating Board to assess costs incurred as a result of institutions that submit inaccurate or late data as a means to improve the accuracy of data provided to the Texas Higher Education Coordinating Board by institutions of higher education. (Raymund Paredes, Ph.D., Commissioner of Higher Education – Texas Higher Education Coordinating Board)
10. Require graduation rates to play a significant role in determining funding recommendations for institutions of higher education. (Bill Hammond, President – Texas Association of Business, Austin)

## COMMISSION DECISION ON NEW ISSUES

(JUNE 2012)

The Commission did not adopt any new issues.

## FINAL RESULTS ON NEW ISSUES

(JULY 2012)

No action needed. (No new issues adopted by the Commission)



————— **PROVISIONS ADDED BY THE  
LEGISLATURE**



# PROVISIONS ADDED BY THE LEGISLATURE

## **Legislative Action — S.B. 215**

### **Powers and Duties**

- **Limits the Board to expressly granted powers and reserves other powers to higher education institutions and their governing boards.**

Senate Bill 215 provides that the Coordinating Board has only the powers expressly provided by law. Any function or power not expressly granted to the Coordinating Board by law in regard to the administration, organization, control, management, jurisdiction, or governance of an institution of higher education is reserved to and must be performed by the governing board, applicable system administration, or the institution of higher education.

- **Removes the Board's authority to approve capital projects for public higher education institutions.**

Senate Bill 215 removes the Board's authority to approve institutions' capital projects or purchases. The bill authorizes the Board to review capital projects and purchases, but the Board cannot stop an institution from proceeding with a project or purchase. If the Board finds that a project does not meet the Board's standards, the Board must notify the institution's governing board, Governor, Lt. Governor, Speaker, and the Legislative Budget Board. Senate Bill 215 also adds space need to the list of criteria the Board would evaluate in reviewing a capital project.

### **Academic Program Oversight**

- **Prohibits the Board from ordering the consolidation or elimination of a degree or certificate program.**

In place of this authority, S.B. 215 allows the Board to make a recommendation to an institution's governing board for consolidation or elimination of a degree or certificate program based on its periodic 10-year review or its review of the number of degrees or certificates issued at least every four years. The bill requires the institution or system, if it does not consolidate or eliminate the degree or certificate programs, to identify those programs in its next legislative appropriations request.

- **Caps the number of hours required for an associate's degree.**

Senate Bill 215 caps the number of semester credit hours required for an associate's degree at the minimum number required by an accrediting agency, unless an institution determines that there is a compelling academic reason for requiring additional hours for the degree.

- **Prohibits the Board from issuing a certificate authority to a foreign post-secondary institution.**

Senate Bill 215 prohibits the Board from issuing a certificate of authority to a private post-secondary institution to grant a professional degree if the institution is chartered or has its principal office in a foreign country.

- **Places conditions on the Board's review and approval of certain degree programs.**

Senate Bill 215 prohibits the Board from considering undergraduate graduation or persistence rates in its criteria for approval of doctoral programs. The bill also requires the Board to approve a baccalaureate degree program at a junior college authorized to offer baccalaureate degrees under certain conditions.

### **Financial Aid**

- **Removes two-year institutions from eligibility in the TEXAS Grant Program and expands the eligibility for transfer students to receive a TEXAS Grant.**

Senate Bill 215 removes students at two-year institutions from eligibility in the TEXAS Grant Program, limiting TEXAS Grants to students at public four-year institutions enrolled in baccalaureate degree programs. The bill also expands the eligibility for transfer students, allowing students receiving a Texas Educational Opportunity Grant at a two-year institution, who have completed 24 semester credit hours and have a GPA of at least 2.5, to be eligible for the TEXAS Grant program when they enter a baccalaureate program.

- **Requires the Board to study the creation of a state financial assistance program for competency-based online colleges and universities.**

Senate Bill 215 requires the Board, in consultation with stakeholders, to conduct a study and create draft legislation for a state-funded student financial assistance program specific to students of nonprofit competency-based online colleges and universities, such as Western Governor's University. The bill specifies that the draft legislation must give highest priority for funding to students with the greatest financial need.

- **Makes co-signers of a student loan liable for a defaulted loan and designates Travis County as the venue for suits.**

Senate Bill 215 requires co-signers of state student loans administered by the Board to be held liable, in addition to student borrowers, for defaulted loans. The bill establishes Travis County as the sole venue for the defaulted student loan cases. The bill also removes the AG's authority to go through a local prosecutor to seek repayment of a student loan.

- **Creates the Student Loan Default Prevention and Financial Aid Literacy Pilot Program.**

Senate Bill 215 requires the Board to establish and administer the Student Loan Default Prevention and Financial Aid Literacy Pilot Program to ensure students at selected institutions are informed consumers with regard to all aspects of student financial aid. The bill requires the Board to select at least one public four-year institution, one public junior college, one private institution, and one

career school or college to participate, giving priority to institutions that have a loan default rate of more than 20 percent or that have above average growth rates.

- **Removes outdated language from the Texas Educational Opportunity Grant statute referencing the Texas Equalization Grant.**

Senate Bill 215 removes outdated language capping total grant awards that is no longer relevant to the Texas Educational Opportunity Grant Program.

### **Transfer of Credit**

- **Requires an institution to annually update its list of courses in the common course numbering system and prohibits discrimination of transfer credits based on accreditation of the sending institution.**

Senate Bill 215 requires an institution to annually update its list of courses in the common course numbering system, as well as requires governing boards to certify that the institution does not prohibit the acceptance of transfer credit based solely on the accreditation of the sending institution.

- **Limits articulation agreement requirements for junior colleges offering a baccalaureate degree in applied science or applied technology.**

Senate Bill 215 requires junior colleges offering a baccalaureate degree in applied science or applied technology to enter into an articulation agreement with a general academic teaching institution, but only for the first five years of the degree program.

### **Other**

- **Changes the Texas Guaranteed Student Loan Corporation from a public to private nonprofit corporation.**

Senate Bill 215 removes the Texas Guaranteed Student Loan Corporation as a public nonprofit corporation and establishes it as a private nonprofit corporation. The bill also makes the Coordinating Board the state entity responsible for providing financial aid services, including awareness efforts relating to available grant and loan programs and prevention of student loan default.

- **Requires negotiated rulemaking for certain policy areas.**

Senate Bill 215 requires the Board to engage in negotiated rulemaking for policies related to admission or transfer for credit, allocation or distribution of trusteed funds and financial aid, reevaluation of data requests, compliance monitoring, and establishing standards for review of capital projects.

- **Creates the Texas Competitive Knowledge Fund in statute.**

Senate Bill 215 codifies the Texas Competitive Knowledge Fund, which provides funding to both research and emerging research universities in proportion to an institution's three-year average research expenditures. The bill establishes the Fund's purpose as supporting faculty to ensure excellence in instruction and research. The bill also includes several funding requirements, such as

for an institution's General Revenue appropriation to be reduced by \$5 million in its first year of participation in the program.

- **Combines the Advanced Technology Program with the Norman Hackerman Advanced Research Program.**

Senate Bill 215 combines the programs and authorizes an advisory committee to apportion funding between the two programs unless otherwise directed by the Legislature through the appropriations process.

- **Repeals the Compensation of Resident Physicians Program.**

Senate Bill 215 repeals this unfunded program, makes conforming changes, and adds Baylor College of Medicine to a list of institutions eligible for certain medical education programs.



---

# APPENDICES



# APPENDIX A

## Student Financial Aid Programs FYs 2011–2012

Program	Description	Expended Funds FY 2011	Budgeted Funds FY 2012
<b>Grants and Scholarships</b>			
TEXAS (Toward Excellence, Access and Success) Grant	Provides need-based grants to students attending public higher education institutions. Students with the greatest need receive the highest priority. However, beginning in Fall 2013, students with the highest need with the most merit will be considered first. Recipients must be high school graduates who complete the Recommended or Advanced High School Program or have obtained an associate's degree.	\$338.2 million	\$292.6 million
Tuition Equalization Grant	Provides grants to students attending private institutions. Pays up to half the prior biennium per-student appropriation at public universities. Students with exceptional need may receive awards of up to one and a half times the per-student appropriation.	\$102.1 million	\$84.4 million
Top Ten Percent Scholarship	Awards need-based scholarships to students who graduate in the top ten percent of their high school graduating class and enroll full-time at an institution of higher education.	\$25.6 million	\$21.9 million
Texas Educational Opportunity Grant	Provides need-based grants to students attending public community, technical, or state colleges. Priority is given to students displaying the highest need. Students must be a Texas resident, enroll at least half-time, and be working towards an associate's degree or a certificate.	\$11.3 million	\$12 million
Texas College Work Study Program	Provides grants to employers to help pay student salaries. Students must be enrolled six hours at a public or private institution and show a financial need. Pays approximately 75 percent of student salaries for non-profit employers, and 50 percent of salaries for for-profit employers. Employers pay the balance of salaries and all other benefits.	\$7.8 million	\$5 million
License Plate Scholarships	The Coordinating Board manages accounts for six specialty license plate programs designed to generate funding for local scholarships, including: Houston Livestock Show and Rodeo, Girl Scouts, Boy Scouts, "College for All Texans" Campaign, Cotton Boll, and Texas Collegiate License Plate Scholarship Programs. Funds are issued to sponsoring entities, to be awarded locally.	\$75,000	\$271,000

## Appendix A

Program	Description	Expended Funds FY 2011	Budgeted Funds FY 2012
<b>Loans</b>			
College Access Loan (CAL)	Provides low-interest, fixed-rate educational loans to Texas students that attend colleges and universities in the state. Students do not have to demonstrate financial need to receive these loans. The Coordinating Board originates and services loans for Texas residents enrolled at least half-time in a Texas college or university. In November 2011, voters approved \$1.86 billion in additional bond authority for this loan program.	\$91.9 million	\$159 million
<b>Loan Forgiveness</b>			
Texas B-On-Time Loan	Provides zero-interest loans to students who graduate with at least the Recommended High School Program. Loans are forgiven if the recipient graduates with a cumulative grade point average of at least 3.0 within a specified time period or with no more than six hours in excess of the number of hours required by the recipient's major.	\$57.6 million	\$70.7 million
Texas Armed Services Scholarship	Provides zero-interest loans to students participating in the Reserve Officers' Training Corps (ROTC). Loans are forgiven after a four-year commitment in the Texas Army National Guard, the Texas Air Force National Guard, the Texas State Guard, the United States Coast Guard, or the United States Merchant Marine, or commissioned officers in any branch of the armed services of the United States. Recipients are chosen by the Governor, Lieutenant Governor, and each state senator and representative. Not need-based.	\$2 million	\$3.6 million
<b>Loan Repayment</b>			
Physician Education Loan Repayment	Provides educational loan repayment to encourage qualified physicians to practice medicine in federally designated health professional shortage areas of Texas.	\$15.8 million	\$5.6 million
Teach for Texas Loan Repayment	Provides educational loan repayment to qualified teachers at the preschool, primary, or secondary level in a Texas public school. Teachers must provide full-time instruction in a subject field having a critical shortage of teachers or at a campus having a critical shortage of teachers.	\$5.8 million	\$500,000
John R. Justice Loan Repayment	Provides educational loan repayments to recruit and retain qualified attorneys as prosecutors and public defenders. Funded by a grant from the U.S. Department of Justice.	\$701,000	\$293,000
Border County Doctoral Faculty Education Loan Repayment	Provides educational loan repayments to faculty members who earned their doctorates after 1994 and teach at higher education institutions located in counties that border Mexico.	\$198,000	\$188,813
Office of the Attorney General Loan Repayment	Provides educational loan repayments to recruit and retain attorneys in the Office of the Attorney General.	\$150,000	\$248,036

## Appendix A

Program	Description	Expended Funds FY 2011	Budgeted Funds FY 2012
<b>Tuition Exemptions and Waivers</b>			
Hazlewood Exemption	Exempts Texas veterans, and eligible dependents and spouses of Texas veterans, from the payment of all tuition, dues, fees, and other required charges. The Coordinating Board provides technical assistance to institutions participating in the program.	Institutions are required to absorb these costs.	
Good Neighbor Scholarship	Provides a one-year waiver of tuition to recipients from other nations of the Western Hemisphere, other than Cuba. Applications are submitted to the Coordinating Board.	Institutions choosing to participate in the program must absorb these costs.	



# APPENDIX B

## *Institutional Grant Programs and Pilot Projects<sup>1</sup>* *FYs 2011–2012*

<b>Program</b>	<b>Description</b>	<b>Expended Funds FY 2011</b>	<b>Budgeted Funds FY 2012</b>
<b>Workforce, Academic Affairs, and Research Division</b>			
Carl D. Perkins Basic Grant	Provides funding to public two-year colleges to develop and enhance career and technical programs that lead to high-skill, high-wage, or high-demand careers.	\$23.6 million	\$23.6 million
Texas Research Incentive Program	Provides state matching funds for gifts directed to purposes that support the development of more national research universities in Texas.	\$22.5 million	\$17.8 million
Professional Nursing Shortage Reduction Program	Provides funding to increase the number of enrollments and graduates from professional nursing programs, and increase the number of graduates from master's and doctoral programs in nursing that join the faculty of professional nursing programs.	\$22.4 million	\$15 million
Norman Hackerman Advanced Research Program	Provides competitive grants for initial research needed to secure long-term research funding at Texas higher education institutions.	\$15.6 million <sup>2</sup>	\$960,000
Joint Admissions Medical Program	Provides competitive grants to highly qualified, economically disadvantaged students interested in becoming physicians. Provides recipients with undergraduate scholarships, summer stipends, and guaranteed admission to a Texas medical school.	\$10.6 million <sup>2</sup>	\$7 million
Family Practice Residency Program	Provides grants to family practice residency programs to improve the distribution of family physicians throughout the state and increase medical care to patients in underserved areas.	\$9 million	\$2.8 million
Carl D. Perkins Leadership Grant	Provides competitive grants to public two-year colleges for projects that further career and technical education in the state.	\$2.7 million	\$1.6 million
Minority Health Research and Education Grants (Tobacco Funds)	Provides competitive grants to institutions that conduct, or form partnerships to conduct, research or educational programs that address minority health issues.	\$2 million	\$3.8 million
Nursing, Allied Health and Other Health-Related Education Grants (Tobacco Funds)	Provides grants to public institutions that offer upper-level instruction and training in nursing, allied health, or other health-related education.	\$1.1 million	\$4.3 million

### Appendix B

Program	Description	Expended Funds FY 2011	Budgeted Funds FY 2012
Texas Science, Technology, Engineering, and Math (T-STEM) Challenge Scholarship	Provides merit-based scholarships to qualifying, high-achieving students and provides colleges with funds to support retention efforts to promote student success in STEM fields.	\$0	Texas Guaranteed Student Loan Corporation committed \$25 million over the next five years.
Emergency and Trauma Care Education Partnership	Provides funding for initiatives that promote partnerships, fellowships, and additional training in the fields of emergency medicine and trauma care.	\$0	\$2.3 million
<b>P-16 Initiatives Division</b>			
College Access Challenge Grant	<p>Designed to foster partnerships among federal, state, and local government entities and philanthropic organizations to significantly increase the number of underrepresented students who enter and successfully complete post-secondary education. Federally funded through the College Access Challenge Grant, but with some state and private matching funds. Includes the following components :</p> <ul style="list-style-type: none"> <li>• Generation Texas Public Awareness Campaign (GenTX)</li> <li>• Advise Texas College Advising Corps. (AdviseTX)</li> <li>• Adult Degree Completion Project (GradTX)</li> <li>• Advancement Via Individual Determination (AVID) Center's Texas Postsecondary Project</li> <li>• Comprehensive Student Success Program</li> <li>• Texas Professional Development Modules</li> </ul>	\$18.1 million	\$18.5 million
Adult Basic Education Innovation Grants	Provides funding for competitive grants to pilot projects designed to increase participation and success of adult basic education students in workforce training programs at community colleges and public technical institutions. Pilot projects focus on preparing educationally disadvantaged, unemployed, and underemployed adults for career-path employment and post-secondary education in high-demand jobs in Texas.	\$5.4 million	\$1.9 million
Teacher Quality Grants	Provides competitive federal grants to institutions partnering with at least one high-need local education agency to promote improved student achievement in mathematics and science by providing professional development for teachers to become more effective.	\$5.2 million	\$5.3 million
Math, Science, and Technology Teacher Preparation Academies	Provides competitive grants to programs that improve the instructional skills of certified teachers and students enrolled in undergraduate and master's degree teacher preparation programs to better prepare high-school students to be college ready in mathematics, science, and technology upon graduation.	\$3.5 million	\$0 <sup>3</sup>



## Appendix B

Program	Description	Expended Funds FY 2011	Budgeted Funds FY 2012
Developmental Education Demonstration Projects	Provides competitive grants to demonstration projects to research the most effective strategies to drive systemic reform in developmental education and achieve college readiness in two years or less.	\$3.3 million	\$1.8 million
Centers for Teacher Education	Provides assistance to the five private, four-year historically black colleges and universities in Texas to recruit, prepare, retain, and place highly qualified and fully certified minorities in the teaching profession.	\$3.2 million	\$1.5 million
College and Career Readiness Initiatives: Faculty Collaboratives	Provides funding to university-based math, science, english, and social science faculty in their efforts to ensure that teacher candidates develop the content knowledge and teaching skills needed to enable students to master the College and Career Readiness Standards.	\$2.6 Million	\$0 <sup>3</sup>
Work Study Mentorship Program	Provides competitive grants to programs that pay college students to serve as mentors to at-risk students in high school and help create a college-going culture in targeted high schools.	\$2.5 million	\$2.5 million
College Readiness Special Advisors	Provides support for advisors from higher education institutions to increase awareness of the College and Career Readiness Standards and related college readiness initiatives and to engage their faculty and administration in refinement of the standards.	\$1.5 million	\$0 <sup>3</sup>
Intensive Programs – Adult Education Students	Provides funding for competitive grants for programs determining if short-term and accelerated academic instruction and support can positively affect transition to college, college persistence, and success for adult education students who are underrepresented in college enrollment rates and at risk of dropping out in college.	\$1.3 million	\$0 <sup>4</sup>
College and Career Readiness Standards: Development and Implementation	Provides funding for competitive grants to programs that implement strategies to increase college readiness and success among both high school and college students and decrease the need for developmental education. Programs also support implementation of the College and Career Readiness Standards to ensure Texas public high school graduates are appropriately prepared to be successful in entry-level college courses.	\$1.1 million	\$0 <sup>3</sup>
Texas Educator Preparation Demonstration Sites	Provides competitive grants to demonstration sites that prepare educators to deliver the content and teach the thinking skills embodied in the College and Career Readiness Standards.	\$650,000	\$0 <sup>3</sup>
Higher Education Bridging and Intensive Programs	Provides funding for competitive grants to institutions of higher education, public school districts, regional education service centers, and community-based organizations to establish programs to decrease the need for developmental education and increase student persistence and success through rigorous academic instruction.	\$450,000	\$0 <sup>3</sup>

**Appendix B**

<b>Program</b>	<b>Description</b>	<b>Expended Funds FY 2011</b>	<b>Budgeted Funds FY 2012</b>
Vertical Alignment Projects	Provides funding for competitive grants for projects that develop models or support collaborative efforts to align secondary and postsecondary curricula in local areas.	\$400,000	\$0 <sup>3</sup>
Accelerated Developmental Education Projects	Provides funding to improve developmental education programs by identifying effective modular curricula that will reduce the time a student spends in the developmental education sequence.	\$150,000	\$0 <sup>4</sup>
Texas Fund for Geography Education	The National Geographic Society funds competitive grants for partnerships to enhance geography education for K-12 students and promote a better understanding of Texas by all of its residents.	\$70,000	\$70,000
National Pan-Hellenic Council African American Male Mentorship Pilot Program	Provides seed grants to public institutions to design and implement mentorship programs for African American men in their freshman and/or sophomore year of college to increase retention and graduation rates.	\$40,000	\$40,000
Minority Male Retention and Support Program	Provides funding for projects that outline mentoring, academic support, and other services aimed at minority students currently in the higher education pipeline to increase student retention and degree completion.	\$20,000	\$20,000

- .....
- 1 A limited number of agency grants may be awarded to entities other than institutions.
  - 2 Awarded in fiscal year 2010. No awards made in odd-numbered years.
  - 3 While no additional funding was provided in fiscal year 2012, the programs are ongoing through 2013.
  - 4 While no additional funding was provided in fiscal year 2012, the programs are ongoing through 2012.

# APPENDIX C

## Advisory Committees

Committee	Charge
Accountability Peer Groups (10 groups)	Evaluate data, share best practices, and discuss pertinent issues for institutional improvement with peer groups of institutions of similar size and type. Includes four university peer groups, four community college groups, one health-related group, and one state college group, for a total of 10 groups.
Advisory Committee on Research Programs <sup>1</sup>	Provide expertise and make recommendations to the agency related to research programs and priorities for funding.
Apply Texas Advisory Committee <sup>2</sup>	Provide recommendations related to the development and revision of a common admissions application form for students seeking admission to a general academic or two-year institution.
Certification Advisory Committee	Advise the agency on standards and procedures related to certification of private, nonexempt post-secondary educational institutions, and assist the agency in the examination of individual applications for certificates of authority.
College Access and Success Advisory Council	Encourage linkages between programs supported by the College Access Challenge Grant and other federal and state programs for college access and inform stakeholders of related agency activities.
Community College Advisory Group	Provide interactive feedback between community college leaders and the agency.
Council on Continuous Improvement and Innovation in Texas Higher Education	Evaluate key metrics for use in the State's next long-range plan for higher education and create a lean culture of continuous improvement in higher education.
Developmental Education Advisory Committee	Provide input and guidance to the agency on developmental education and Texas Success Initiative policies.
End-Of-Course Assessment Work Group	Advise the Texas Education Agency and the Coordinating Board regarding studies, data collection, and other activities necessary for standard-setting and implementation of the State of Texas Assessments of Academic Readiness (STAAR) end-of-course assessments.
Faculty Collaborative Leadership Group	Coordinate the grant-funded activities of the College and Career Readiness Initiative Faculty Collaboratives in english/language arts, mathematics, science, and social sciences that support improved teacher preparation. Facilitate grant monitoring and efforts to increase program effectiveness.
Family Practice Residency Advisory Committee <sup>3</sup>	Advise the agency on approval of applications for family practice residency training programs.
Financial Aid Advisory Committee <sup>4</sup>	Advise the agency on proposed rules and changes in policies and procedures dealing with state financial aid programs.
Formula Funding Advisory Committees <sup>5</sup> <ul style="list-style-type: none"> <li>● General Academic Institutions</li> <li>● Community and Technical Colleges</li> <li>● Health-Related Institutions</li> </ul>	Advise the agency on formula funding levels and methodologies for each respective category of public higher education institution.

## Appendix C

Committee	Charge
Graduate Medical Education Advisory Committee <sup>6</sup>	Advise the agency on issues related to graduate education at public universities.
Joint Advisory Board	Oversee the operations of Education Research Centers, and review and approve proposals to use data at the Centers. The State's three Education Research Centers are jointly operated by the Coordinating Board and the Texas Education Agency.
Learning Technology Advisory Committee <sup>7</sup>	Advise the agency on policies regarding learning technology and distance education.
Low-Cost Degree Work Group	Make recommendations to the agency for best practices for institutions to offer low-cost, high-quality alternative degrees.
Lower Division Academic Course Guide Manual Advisory Committee	Make recommendations to the agency for additions, deletions, and modifications to the Lower-Division Academic Course Guide Manual.
National Geographic Awards Committee <sup>8</sup>	Review applications and make recommendations to the National Geographic Society for geography grant funding for institutions. The Coordinating Board provides administrative support to the Society related to the request for applications and its process for the selection of award recipients.
Regional College Readiness Special Advisors	Advise the agency on issues of college and career readiness and coordinate and implement complementary activities in regions of the state.
Residency Committee	Advise the agency regarding college residency requirements and rules.
Resource Planning Advisory Committee <sup>9</sup>	Make recommendations on allocation amounts from the Higher Education Assistance Fund every five years.
Restricted Research Development Fund Advisory Committee <sup>10</sup>	Review proposals and provide input to the agency on new research projects awarded to higher education institutions that receive funding through the Research Development Fund.
Tuning Committee for Biomedical Engineering	Align or "tune" lower-division courses in the discipline of biomedical engineering to meet the needs for student success in upper-division courses. Develop a statewide voluntary transfer compact for biomedical engineering.
Tuning Committee for Chemical Engineering	Align or "tune" lower-division courses in the discipline of chemical engineering to meet the needs for student success in upper-division courses. Develop a statewide voluntary transfer compact for chemical engineering.
Undergraduate Education Advisory Committee	Advise the agency on strategies to enhance undergraduate education in Texas.

## Appendix C

- .....
- 1 Section 142.003(b), Texas Education Code.
  - 2 Section 51.762(a), Texas Education Code.
  - 3 Section 61.505, Texas Education Code.
  - 4 Section 61.0776(b), Texas Education Code.
  - 5 Section 61.059, Texas Education Code.
  - 6 Section 61.0594(e), Texas Education Code.
  - 7 Section 61.0771(c), Texas Education Code.
  - 8 Section 61.9684, Texas Education Code.
  - 9 Section 62.022(b), Texas Education Code.
  - 10 Section 62.096(b), Texas Education Code.



# APPENDIX D

## Texas Higher Education Coordinating Board Reporting Requirements

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
<b>Higher Education Planning Reports</b>				
1. Achievement of Excellence Studies	Section 61.066(a), Texas Education Code	Requires the Coordinating Board to make studies and recommendations directed toward the achievement of excellence or toward improved effectiveness and efficiency in any phase of higher education.	Governor and Legislature	Eliminate – See Recommendation 2.2, to redefine long-range planning.
2. Higher Education Financial Needs, Reports on	Section 61.059(i), Texas Education Code	Requires the Coordinating Board to make continuing studies of the financial needs of public higher education and all services and activities at institutions.	Governor and Legislative Budget Board	Eliminate – See Recommendation 2.2, to redefine long-range planning.
3. Higher Education Funding System, Report on	Section 61.059(i-1), Texas Education Code	Requires the Coordinating Board to make findings and recommendations regarding the degree to which the current higher education funding system supports the implementation of the five-year master plan.	Legislature	Eliminate – See Recommendation 2.2, to redefine long-range planning.
4. Long-Range Higher Education Regional Plan	Section 61.051(i), Texas Education Code	Requires the Coordinating Board to provide information and guidance to policymakers to ensure institutions meet the current and future needs of each region of the state and adequate services are reasonable and equally available to the residents of each region.	Governor, Lieutenant Governor, and Legislature	Eliminate – See Recommendation 2.2, to redefine long-range planning.
5. Master Plan for Higher Education	Section 61.051(a-1), (a-2), Texas Education Code	Requires the Coordinating Board to develop a five-year plan for higher education in the state. Requires the agency to identify additional strategies necessary to achieve the goals of the master plan, emphasizing implementation by institutions and specific regions of the state.	Unspecified	Eliminate – See Recommendation 2.2, to redefine long-range planning.
6. New and Restructured Programs in Higher Education, Report on	Section 61.066(b), Texas Education Code	Requires the Coordinating Board to discuss new programs in higher education and the potential to restructure existing programs to meet the changing needs of the populace, including recommendations regarding the physical needs at each campus.	Legislature	Eliminate – See Recommendation 2.2, to redefine long-range planning.

## Appendix D

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
7. Notification of Strategies for Implementing the Master Plan for Higher Education	Section 61.051(a-2), Texas Education Code	Requires the Coordinating Board to notify each institution of the strategies necessary to implement the five-year master plan.	All Institutions of Higher Education	Eliminate – See Recommendation 2.2, to redefine long-range planning.
8. State of Higher Education in Texas, Report on the	Section 61.051(a-3), Texas Education Code	Requires the Coordinating Board to report on the agency's assessment of the state's progress in meeting the goals in the master plan and provide recommendations for legislative action to assist the state in meeting those goals.	Legislature	Eliminate – See Recommendation 2.2, to redefine long-range planning.
<b>Reports Tied to Unfunded and Unnecessary Programs</b>				
9. Effectiveness of the High Priority Program Fund, Report on the	Section 152.006, Texas Education Code	Requires the Coordinating Board to report on the effectiveness of the High Priority Program in providing funding for programs at public community and technical colleges designed to enhance the state's economic growth.	Legislative Budget Board	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.
10. Evaluation of the Technology Workforce Development Grants Program	Section 51.860(e), Texas Education Code	Requires the Coordinating Board to report on the effectiveness of the Technology Workforce Development Grant in increasing engineering and computer science graduates and facilitating collaboration between departments at universities and private companies.	Governor and Legislature	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.
11. Higher Education Enrollment Assistance Program, Report on the	Section 61.088(e), Texas Education Code	Requires the Coordinating Board to report on the effectiveness of the Higher Education Enrollment Assistance Program in providing assistance and information on enrolling in and financing higher education to students in certain areas of the state.	Legislature	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.
12. Medical Preparation Program (MedPREP), Report on the	Section 51.718, Texas Education Code	Requires the Coordinating Board to report how funds were used by organizations selected by the agency to provide the Medical Preparation Program.	Unspecified	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.
13. Research Assessment Program, Report on	Section 144.004(a), Texas Education Code	Requires the Coordinating Board to report its findings and recommendations on whether to reauthorize, revise, or discontinue each research program the agency reviews through the Research Assessment Program.	Legislative Budget Board	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.



## Appendix D

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
14. Texas Partnership and Scholarship Program, Report on the	Section 61.814, Texas Education Code	Requires the Coordinating Board to report on each partnership program and make recommendations concerning the effectiveness of the Texas Partnership and Scholarship Program in motivating students to remain in school and to seek a college education.	Governor and Legislature	Eliminate – See Recommendation 2.4, to eliminate unfunded and unnecessary programs.
<b>Unnecessary Reports</b>				
15. P-16 College Readiness and Success Strategic Action Plan, Progress Report on	Section 61.0761(d), Texas Education Code	Requires the Coordinating Board and the Texas Education Agency to report on progress implementing the College Readiness and Success Strategic Action Plan.	Governor, Lieutenant Governor, Speaker, Legislative Budget Board members, and Legislative Committees Overseeing Public and Higher Education	Eliminate – See Recommendation 2.5, to eliminate unnecessary reporting requirements.
16. Restricted Research Expenditures, Report on	Section 62.096 (c), Texas Education Code	Requires the Coordinating Board to report verified restricted research expenditures to determine appropriations from the Research Development Fund.	Comptroller	Eliminate – See Recommendation 2.5, to eliminate unnecessary reporting requirements.
17. Student Loan Funds, Report on	Section 52.17(f), Texas Education Code	Requires the Coordinating Board to provide performance information on student loans, the Texas College Interest and Sinking Fund, and any other interest and sinking funds held by the agency.	Texas Bond Review Board	Eliminate – See Recommendation 2.5, to eliminate unnecessary reporting requirements.
18. Texas Opportunity Plan Report	Section 52.56, Texas Education Code	Requires the Coordinating Board to report on the Texas Opportunity Plan and the Student Loan Auxiliary Fund. Requires the agency to include the number of loans issued, the maximum and minimum amounts of loans, a list of persons who have failed or refuse to make payments in the last six-months, and the default rate of the loan.	Governor and Legislature	Eliminate – See Recommendation 2.5, to eliminate unnecessary reporting requirements.
<b>Necessary Reports</b>				
19. Community College Transfer Student, Report on	Section 55, General Appropriations Act <sup>1</sup>	Requires the Coordinating Board to report on institutions' actions to increase the number, success, and persistence of community college transfer students.	Governor, House Appropriations Committee, Senate Finance Committee, and Legislative Budget Board	Continue
20. Educational and General Facility Audits, Reports on	Section 61.0583(d), Texas Education Code	Requires the Coordinating Board to report facility audit findings.	Institutions and Legislative Budget Board	Continue

## Appendix D

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
21. Funding Formula Recommendations, Report on	Section 61.059(d), Texas Education Code	Requires the Coordinating Board to report the formulas designated by the agency to be used when making appropriation requests and certify that institutions have prepared their appropriation requests in line with the formulas.	Institutions of Higher Education and Legislative Budget Board	Continue
22. Graduate Medical Education Positions	H.B. 2908, 82nd Legislature, Regular Session	Requires the Coordinating Board to include in the five-year master plan an assessment of the opportunities for graduates of Texas medical schools to enter graduate medical education in the state.	Unspecified	Continue – Move to a new section of statute and require the Coordinating Board to issue its assessment as a stand-alone report. See Appendix E.
23. Listing and Certification Report for Junior Colleges	Section 61.063, Texas Education Code	Requires the Coordinating Board to report a list of community colleges that comply with the standards, rules, and regulations prescribed by the agency.	State Auditor and the Comptroller	Continue
24. Measure of College Readiness	Section 39.024(h), Texas Education Code	Requires the Coordinating Board to periodically review the State's College Readiness Standards and to compare the standards with national and international standards.	Lieutenant Governor, Speaker, and Legislative Committees Overseeing Public and Higher Education	Continue
25. National Research University Fund Eligibility, Report on	Section 62.146 (b), Texas Education Code	Requires the Coordinating Board to report verified information to determine the eligibility of institutions to receive funds from the National Research University Fund.	Legislature and State Auditor	Continue
26. Operation and Certification of Career Schools or Colleges	S.B. 1534, 82nd Legislature, Regular Session	Requires the Coordinating Board to report any career schools or colleges that do not submit information requested by the agency.	Legislature	Continue
27. Physician Education Loan Repayment Program Retention Rates	Rider 32, General Appropriations Act <sup>2</sup>	Requires the Coordinating Board to report the results of the surveys of physicians that completed a Physician Education Loan Repayment Program contract.	Governor and Legislative Budget Board	Continue
28. Requested Reimbursements for Early High School Graduation Scholarship Program Credits	Section 56.207, Texas Education Code	Requires the Coordinating Board, for the purposes of reimbursement, to submit a report with the names of the recipients of the Early High School Graduation Scholarship, the school districts the recipients graduated from, and the amount of credit given to each student.	Texas Education Agency	Continue

## Appendix D

Report Title	Legal Authority	Description	Recipient	Sunset Evaluation
29. Review of Legislation Establishing Additional Institutions	Section 61.056, Texas Education Code	Requires the Coordinating Board to report findings regarding any proposed statute that would establish an additional institution of higher education.	Governor and Legislature	Continue
30. Student Financial Aid in Texas Higher Education, Report on	Rider 31, General Appropriations Act <sup>3</sup>	Requires the Coordinating Board to present an annual report concerning student financial aid at public and private institutions in the state.	Legislative Budget Board	Continue
31. Summary and Analysis of Higher Education Institutions' Appropriation Requests	Section 61.059(e), Texas Education Code	Requires the Coordinating Board to submit a comprehensive analysis of institutional appropriation requests.	Governor, Legislature, and Legislative Budget Board	Continue
32. Supplemental Contingent Appropriation Request	Section 61.059(f), Texas Education Code	Requires the Coordinating Board to make recommendations on supplemental contingent appropriations for institutions to provide for increases in enrollment.	Governor and Legislative Budget Board	Continue
33. Tech-Prep Program Evaluation	S.B. 1410, 82nd Legislature, Regular Session	Requires the Coordinating Board to report findings, concerns, and recommendations resulting from the annual review of each tech-prep consortium.	Each Tech-Prep Consortium	Continue
34. TEXAS Grant College Readiness Reform	S.B. 28, 82nd Legislature, Regular Session	Requires the Coordinating Board to report information on TEXAS Grants, including allocation information disaggregated by initial and subsequent awards, recipient information disaggregated by race, ethnicity, and expected family contribution, the number of TEXAS Grants awarded to students who meet eligibility requirements, and the persistence, retention, and graduation rates of students receiving TEXAS Grants.	Legislative Oversight Committee on TEXAS Grants and Teach for Texas Grant Program	Continue
35. Tuition Equalization Grant Recipients by Ethnic Origin	Section 61.230, Texas Education Code	Requires the Coordinating Board to provide a breakdown of Tuition Equalization Grant recipients by ethnicity.	Unspecified	Continue
36. Tuition Policy Recommendations	Section 61.059(g), Texas Education Code	Requires the Coordinating Board to make recommendations on tuition policies for institutions receiving state funds.	Institutions of Higher Education, Governor, and Legislative Budget Board	Continue
37. Tuition Rates, Report on	Section 54.051(d), Texas Education Code	Requires the Coordinating Board to report nonresident tuition rates set by the agency to each institution.	Institutions of Higher Education	Continue

---

## **Appendix D**

- .....
- <sup>1</sup> Section 55, p. III-247, Article III (H.B. 1), Acts of the 82nd Legislature, Regular Session 2011 (the General Appropriations Act).
  - <sup>2</sup> Rider 32, p. III-52, Article III (H.B. 1), Acts of the 82nd Legislature, Regular Session 2011 (the General Appropriations Act).
  - <sup>3</sup> Rider 31, p. III-52, Article III (H.B. 1), Acts of the 82nd Legislature, Regular Session 2011 (the General Appropriations Act).

# APPENDIX E

## *Sunset Staff Recommendations for the Coordinating Board's Powers and Duties*

Summary of Statutory Requirements in Section 61.051, Texas Education Code	Sunset Staff Recommendation
(a) Establishes the agency as the highest authority in the state in matters of public higher education and requires the agency to take an active part in promoting quality education in the various regions of the state. Requires the agency to assure that there is no discrimination in the distribution of programs and resources throughout the state.	Incorporate into the Coordinating Board's new list of powers and duties, as described in Recommendation 2.1.
(a-1) Requires the agency to develop a five-year master plan for higher education, taking into account the resources of private institutions.	Replace with language requiring the Coordinating Board to develop one long-range plan for higher education, as described in Recommendation 2.2.
(a-2) Requires the agency to periodically review and revise the five-year master plan, including identifying and analyzing the degree to which the plan reflects the continuing needs of higher education and any policy changes necessary to improve overall implementation of the plan. Requires the agency to establish procedures for monitoring its implementation of the plan, including an analysis of the degree to which its current activities support implementation of the plan and any changes necessary to improve implementation. Requires the agency to identify additional strategies necessary to achieve the goals of the plan, emphasizing implementation by institutions and specific recommendations for the different regions of the state. Requires the agency to notify each institution of all strategies for implementing the plan.	Replace with language requiring the Coordinating Board to develop one long-range plan for higher education, as described in Recommendation 2.2.
(a-3) Requires the agency to prepare a biennial report to the Legislature on matters pertaining to higher education, including the state's activities in the Board of Control for Southern Regional Education. The biennial report must include the agency's assessment of the state's progress in meeting the goals of the five-year master plan and recommendations for legislative action to assist the state in meeting those goals. The biennial report must also include the analyses performed in connection with its periodic review under the previous section.	Replace with language requiring the Coordinating Board to develop one long-range plan for higher education, as described in Recommendation 2.2. The language about the Board of Control for Southern Regional Education is unnecessary. While several Texas legislative leaders serve on the Board and its Legislative Advisory Committee, the Coordinating Board has not been an active member in recent years and has had no activities to report. <sup>1</sup>
(a-4) Requires the agency to include in its five-year master plan an assessment of the adequacy of opportunities for graduates of medical schools to enter graduate medical education in this state.	Move to a new section of Chapter 61, Texas Education Code, regarding opportunities for graduate medical education, and require the Coordinating Board to issue its assessment as a stand-alone report.

### Appendix E

Summary of Statutory Requirements in Section 61.051, Texas Education Code	Sunset Staff Recommendation
(b) Requires the agency to define a technical institute, a junior college, a senior college, a university, and a university system.	Eliminate. Statute already defines these terms in Section 61.003, Texas Education Code.
(c) Requires the agency to develop and publish criteria to be used as a basis for determining the need for changing the classification of any public institution of higher education and for determining the need for new public technical institutes, public junior colleges public senior colleges, universities, or university systems.	Replace with broader language regarding the Coordinating Board's responsibility to ensure the efficient distribution of higher education resources and to assess the higher education needs of the state, as described in Recommendations 2.1 and 2.2. The language related to changing the classification of a public institution is outdated as these types of changes are infrequent and made in statute.
(d) Requires the agency to develop the role and mission for each public institution of higher education. Requires the agency to hear applications from the institutions for changes in role and mission and make changes necessary to update the role and mission statements of each institution. Allows the agency to prescribe by rule maximum enrollment limits for each institution.	Replace with language requiring the agency to periodically evaluate the role and mission of all public four-year institutions in conjunction with the development of the long-range plan for higher education in Recommendation 2.2, as described in Recommendation 2.3. Remove language regarding setting maximum enrollment limits as these limits are more appropriately set by institutions, rather than the Coordinating Board.
(e) Requires the agency to periodically review the role and mission statements, the table of programs, and all degree and certificate programs offered by public institutions to assure that they meet the present and future needs of the state and the counties in which they are located. Requires the agency to perform this review at least every four years. Requires the agency to order the initiation, consolidation, or elimination of degree or certificate programs where that action is in the best interest of the institution, the state, or the county in which the institution is located or when that action offers hope of achieving excellence by a concentration of available resources. Prohibits an institution from adding a new department, school, degree program, or certificate program without specific prior approval of the agency. Allows the agency to authorize an institution to continue a doctoral program that is inconsistent with the role and mission of that institution under certain circumstances.	Replace with a new academic approval section of law that clearly lays out the different types of academic approval authority, as described in Recommendation 2.3.

## Appendix E

Summary of Statutory Requirements in Section 61.051, Texas Education Code	Sunset Staff Recommendation
<p>(f) Requires the agency to encourage and develop new certificate programs in technical and vocational education in public technical institutes and community colleges as the needs of technology and industry may demand and to recommend the elimination of such programs for which a need no longer exists. Requires the agency to conduct a review of the certificate programs at least every four years or on the request of the Texas Workforce Investment Council and to terminate a program that does not meet performance review standards and other criteria established by the agency. Requires the agency to assume the leadership role and administrative responsibilities for state level administration of postsecondary technical-vocational education programs in public community colleges, technical institutes, and other eligible postsecondary institutions.</p>	<p>Replace with a new academic approval section of law that clearly lays out the different types of academic approval authority, as described in Recommendation 2.3. Eliminate the requirement for the Coordinating Board to encourage and develop new certificate programs, as institutions are better-suited to perform this role. Eliminate the requirement for the Coordinating Board to assume the leadership role and administrative responsibilities for technical-vocational programs in community colleges and other institutions, as these duties are already in other law.<sup>2,3</sup></p>
<p>(g) Requires the agency to develop and promulgate a basic core of general academic courses which shall be freely transferable among all accredited public institutions. Requires the agency to develop and implement policies to provide for the free transferability of lower division course credit among institutions.</p>	<p>Move to Section 61.822, Texas Education Code, to consolidate provisions on core curriculum and alignment of lower-division academic courses.</p>
<p>(h) Requires the agency to make continuing studies of the needs of the state for research and designate the institutions to perform research as needed. Requires the agency to maintain an inventory of all institutional and programmatic research activities being conducted by the various institutions. Requires institutions to annually report to the agency all research conducted at that institution during the preceding year.</p>	<p>Replace the requirement to make continuing studies and to designate research institutions with broader language regarding the Coordinating Board's responsibility to ensure the efficient distribution of higher education resources and to assess the higher education needs of the state, as described in Recommendations 2.1 and 2.2. Move the remainder to a new section in Chapter 61, Texas Education Code, regarding information on research conducted by institutions.</p>
<p>(i) Requires the agency to develop and periodically revise a long-range statewide plan to provide information and guidance to policy makers to ensure that institutions meet the current and future needs of each region of the state for higher education services and that adequate higher education services at all levels are reasonably and equally available to residents of each region. Requires the agency to identify the specific needs of different regions and to make recommendations for administrative or legislative action to address an area's unmet needs. Requires the agency to deliver a report of the current long-range plan to the Governor, Lieutenant Governor, and Legislature before each legislative session.</p>	<p>Replace with language requiring the Coordinating Board to develop one long-range plan for higher education, as described in Recommendation 2.2.</p>

### Appendix E

Summary of Statutory Requirements in Section 61.051, Texas Education Code	Sunset Staff Recommendation
(j) Prohibits off-campus courses for credit from being offered by any public technical institute, community college, college, or university without specific prior approval from the agency. Requires the agency to maintain a central informational resource accessible to the general public that provides information relating to distance learning courses and programs offered for credit by institutions and other information on accessing these courses and programs. Requires the agency to establish regulations for the coordination of credit activities of adult and continuing education by public technical institutes, community colleges, colleges, and universities.	Replace with language clarifying that courses offered outside Texas are not included, as described in Recommendation 2.3. Remove outdated language regarding a central informational resource on distance learning. Institutions are better-suited to maintain this information. Remove outdated language regarding regulations for the coordination of for-credit adult and continuing education.
(k) Requires the agency to establish and maintain a management information system that includes the presentation of uniform statistical information that is appropriate to planning, financing, and decision-making rather than regulation.	Replace with new language in the Coordinating Board's list of powers and duties related to collecting and analyzing data, as described in Recommendation 2.1.
(l) Requires the agency to advise and offer technical assistance on the request of any institution or system administration.	Move to a new section of Chapter 61, Texas Education Code, along with subsection (n), regarding technical assistance to institutions.
(m) Requires the agency to publish and distribute materials on admissions policies, transferable courses among institutions, financial assistance programs, and other matters of interest to persons choosing an institution in which to enroll.	Eliminate. Other sections of the Texas Education Code, including Section 61.9701, require the Coordinating Board to provide information to students and their families about postsecondary education and financial assistance.
(n) Requires the agency to develop guidelines for institutional reporting of student performance.	Move to a new section of Chapter 61, Texas Education Code, along with subsection (l), regarding technical assistance to institutions.
(o) Requires the agency to encourage cooperative programs and agreements among institutions, including, among others, programs and agreements relating to degree offerings, research activities, and library and computer sharing.	Move to Section 61.055(b), Texas Education Code, to consolidate provisions relating to partnerships and affiliations.
(p) Requires the agency to administer trustee funds, grant programs, research competition awards, and other funds and programs as directed by the Legislature.	Incorporate into the Coordinating Board's new list of powers and duties, as described in Recommendation 2.1.
(q) Requires the agency to develop a statewide telecommunications network among institutions for integrated teaching and data transmission and computation.	Eliminate. This language is obsolete.

.....

<sup>1</sup> Southern Regional Education Board, "How SREB Serves Texas," accessed January 31, 2012, <http://www.sreb.org/page/1065/texas.html>.

<sup>2</sup> Subchapter A, Chapter 130, Texas Education Code.

<sup>3</sup> Section 135.04, Texas Education Code.



# APPENDIX F

## Graduation and Persistence Rates<sup>1</sup>

The graduation and persistence rates below represent first-time, full-time students entering in fall 2004, graduating or persisting at either the same or another Texas public or private institution of higher education. For four-year institutions, the data reflects 55,929 students, or 95 percent of first-time entering students, and does not reflect part-time students.

Four-Year Institutions			
Institution	Four-Year Graduation Rate	Six-Year Graduation Rate	Six-Year Persistence Rate
<b>Statewide Total</b>	<b>27.0%</b>	<b>57.4%</b>	<b>12.9%</b>
Angelo State University	21.6%	44.0%	13.4%
Lamar University	12.5%	33.8%	17.6%
Midwestern State University	11.6%	41.2%	17.8%
Prairie View A&M University	10.1%	34.2%	16.1%
Sam Houston State University	24.0%	57.9%	11.0%
Stephen F. Austin State University	24.7%	57.0%	13.0%
Sul Ross State University	15.5%	28.5%	10.0%
Tarleton State University	19.9%	47.5%	14.6%
Texas A&M University	47.2%	83.6%	5.5%
Texas A&M International University	17.5%	46.0%	18.2%
Texas A&M University at Galveston	24.7%	59.2%	12.2%
Texas A&M University – Commerce	22.6%	44.8%	14.3%
Texas A&M University – Corpus Christi	21.6%	50.3%	16.8%
Texas A&M University – Kingsville	12.6%	41.7%	14.5%
Texas Southern University	3.7%	14.9%	16.5%
Texas State University – San Marcos	27.3%	64.4%	11.1%
Texas Tech University	41.1%	72.8%	9.4%
Texas Woman's University	25.3%	54.5%	15.9%
University of Houston	16.6%	53.1%	18.4%
University of Houston – Clear Lake	100%	100%	0%
University of Houston – Downtown	1.7%	18.1%	25.2%
University of North Texas	21.7%	57.4%	13.2%
University of Texas at Arlington	19.7%	50.7%	14.7%
University of Texas at Austin	52.9%	82.9%	5.4%
University of Texas at Brownsville	0%	0%	0%
University of Texas at Dallas	42.0%	70.7%	10.8%
University of Texas at El Paso	8.0%	37.4%	20.5%
University of Texas at San Antonio	13.3%	44.0%	19.0%
University of Texas at Tyler	19.5%	49.6%	12.4%
University of Texas – Pan American	13.6%	38.9%	20.4%
University of Texas – Permian Basin	18.8%	44.6%	16.2%
West Texas A&M University	20.9%	45.6%	11.7%

## Appendix F

The graduation and persistence rates below represent first-time, full-time students entering in fall 2004, graduating or persisting at either the same or another Texas public or private institution of higher education. For two-year institutions, the data reflects 57,102 students, or 52 percent of first-time entering students, and does not reflect part-time students.

Two-Year Institutions				
Institution	Three-Year Graduation Rate	Four-Year Graduation Rate	Six-Year Graduation Rate	Six-Year Persistence Rate
<b>Statewide Total</b>	<b>11.9%</b>	<b>17.6%</b>	<b>29.3%</b>	<b>12.8%</b>
Alamo Community College District – Northwest Vista College	10.5%	16.7%	32.8%	15.2%
Alamo Community College District – Palo Alto College	6.6%	14.5%	23.2%	13.4%
Alamo Community College District – San Antonio College	2.8%	6.1%	16.4%	16.9%
Alamo Community College District – St. Philips College	8.4%	13.0%	19.5%	10.1%
Alvin Community College	13.7%	20.4%	31.8%	13.4%
Amarillo College	10.2%	16.2%	25.9%	12.6%
Angelina College	10.9%	15.3%	23.4%	8.4%
Austin Community College	7.0%	14.9%	31.6%	17.0%
Blinn College	8.2%	16.4%	38.7%	13.9%
Brazosport College	14.6%	29.2%	45.8%	12.5%
Central Texas College	6.8%	12.8%	21.7%	14.9%
Cisco College	10.9%	15.6%	26.3%	8.8%
Clarendon College	31.7%	34.6%	39.4%	4.8%
Coastal Bend College	18.8%	22.0%	27.2%	6.9%
College of the Mainland	7.8%	10.7%	20.2%	19.1%
Collin County Community College District	11.4%	18.4%	34.0%	15.8%
Dallas County Community College – Brookhaven College	8.8%	14.8%	26.6%	11.9%
Dallas County Community College – Cedar Valley College	15.4%	18.6%	26.3%	9.6%
Dallas County Community College – Eastfield College	7.9%	14.1%	26.2%	14.8%
Dallas County Community College – El Centro College	12.9%	18.9%	22.9%	13.4%
Dallas County Community College – Mountain View College	10.1%	14.5%	22.2%	13.7%
Dallas County Community College – North Lake College	9.4%	15.0%	27.4%	12.9%
Dallas County Community College – Richland College	12.4%	18.3%	31.3%	14.9%
Del Mar College	7.1%	12.0%	22.6%	13.4%
El Paso Community College District	6.5%	12.9%	23.2%	12.4%
Frank Phillips College	26.0%	29.0%	33.3%	6.9%
Galveston College	14.1%	19.8%	30.7%	14.4%
Grayson County College	15.3%	22.0%	32.2%	9.6%
Hill College	20.5%	25.4%	34.0%	13.4%
Houston Community College	10.0%	16.0%	26.8%	14.6%
Howard College	22.2%	25.4%	36.2%	6.0%

## Appendix F

Two-Year Institutions				
Institution	Three-Year Graduation Rate	Four-Year Graduation Rate	Six-Year Graduation Rate	Six-Year Persistence Rate
Kilgore College	14.1%	18.2%	29.6%	11.8%
Lamar Institute of Technology	18.7%	21.0%	25.4%	8.5%
Lamar State College – Orange	16.4%	23.4%	31.3%	8.2%
Lamar State College – Port Arthur	15.5%	23.2%	34.9%	12.3%
Laredo Community College	15.5%	22.4%	33.8%	14.4%
Lee College	15.3%	22.8%	31.5%	12.2%
Lone Star College – Cy-Fair	7.9%	15.8%	32.5%	18.7%
Lone Star College – Kingwood	7.0%	11.6%	26.9%	15.6%
Lone Star College – Montgomery	6.7%	12.8%	34.0%	14.3%
Lone Star College – North Harris	9.2%	14.2%	28.1%	16.0%
Lone Star College – Tomball	5.4%	10.8%	32.5%	16.1%
McLennan Community College	12.9%	20.0%	33.3%	14.5%
Midland College	13.7%	18.8%	31.3%	11.9%
Navarro College	13.7%	18.4%	27.4%	8.7%
North Central Texas College	10.9%	16.6%	31.8%	13.0%
Northeast Texas Community College	20.5%	25.9%	33.0%	11.9%
Odessa College	11.6%	16.8%	27.5%	12.4%
Panola College	22.9%	27.6%	33.7%	7.7%
Paris Junior College	15.5%	23.4%	30.9%	6.5%
Ranger College	24.0%	26.4%	30.2%	6.6%
San Jacinto College Central Campus	12.2%	19.2%	31.8%	13.6%
San Jacinto College North Campus	15.3%	19.7%	29.5%	12.8%
San Jacinto College South Campus	13.0%	21.0%	37.1%	14.0%
South Plains College	11.9%	16.5%	30.3%	11.9%
South Texas College	11.7%	17.8%	27.7%	12.1%
Southwest Collegiate Institute	22.2%	29.6%	33.3%	14.8%
Southwest Texas Junior College	16.8%	21.0%	27.9%	9.5%
Tarrant County Northeast Campus	7.4%	12.6%	27.2%	18.1%
Tarrant County Northwest Campus	9.2%	13.0%	22.6%	15.3%
Tarrant County South Campus	6.8%	11.6%	21.6%	15.9%
Tarrant County Southeast Campus	11.5%	16.8%	31.0%	18.4%
Temple College	9.5%	16.4%	30.3%	14.5%
Texarkana College	12.6%	19.2%	28.6%	8.0%
Texas Southmost College	9.8%	16.4%	32.4%	14.7%
Texas State Technical College Harlingen	21.6%	24.2%	29.8%	8.9%
Texas State Technical College Marshall	16.9%	20.1%	22.7%	5.2%

### Appendix F

Two-Year Institutions				
Institution	Three-Year Graduation Rate	Four-Year Graduation Rate	Six-Year Graduation Rate	Six-Year Persistence Rate
Texas State Technical College Waco	26.5%	29.2%	32.1%	6.2%
Texas State Technical College West Texas	27.5%	28.6%	29.9%	3.2%
Trinity Valley Community College	20.9%	24.5%	31.8%	7.3%
Tyler Junior College	11.8%	16.7%	27.5%	11.2%
Vernon College	25.5%	28.1%	34.2%	7.6%
Victoria College, The	24.7%	30.3%	39.3%	10.1%
Weatherford College	12.4%	17.0%	26.6%	10.8%
Western Texas College	28.0%	31.7%	38.5%	6.8%
Wharton County Junior College	16.9%	25.0%	42.6%	13.4%

<sup>1</sup> "Baccalaureate/Associate's Graduation Rates," Texas Higher Education Data Accountability System, Texas Higher Education Coordinating Board, accessed February 23, 2012, <http://www.txhighereddata.org/Interactive/GradRates.cfm>.

# APPENDIX G

## ***Staff Review Activities***

During the review of the Texas Higher Education Coordinating Board, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with agency personnel; attended Board and committee meetings; spoke with staff from key legislative offices; conducted interviews and solicited written comments from institutions of higher education in Texas, interest groups, and the public; reviewed Coordinating Board documents and reports, state statutes, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff also performed the following activities unique to this agency.

- Interviewed staff from the Texas Education Agency, Texas Workforce Commission, Texas Workforce Investment Council, Texas Department of Insurance, Office of the Attorney General, Texas Guaranteed Student Loan Corporation, Texas Department of Housing and Community Affairs, Office of the Comptroller, Texas Bond Review Board, and U.S. Department of Education.
- Worked with staff from the Legislative Budget Board and the State Auditor's Office.
- Observed an audit of compliance with space usage and related standards at a higher education institution.
- Attended meetings of various advisory committees, councils, workgroups, and task forces.
- Monitored interim legislative committee hearings.
- Attended education sessions at the 2011 Texas Tribune Festival.
- Attended a Leadership Conference, Listening Tours, and legislative briefings sponsored by the Coordinating Board.



# Sunset Staff Review of the *Texas Higher Education Coordinating Board*

————— *Report Prepared By* —————

Sarah Kinkle, *Project Manager*

Michelle Downie

Carrie Holley-Hurt

Karen Latta

Skylar Wilk

Janet Wood

Ginny McKay, *Project Supervisor*

---

Ken Levine  
*Director*

Sunset Advisory Commission

Location  
Robert E. Johnson Bldg., 6th Floor  
1501 North Congress Avenue  
Austin, TX 78701

Mail  
PO Box 13066  
Austin, TX 78711

Website  
[www.sunset.state.tx.us](http://www.sunset.state.tx.us)

Email  
[sunset@sunset.state.tx.us](mailto:sunset@sunset.state.tx.us)

Phone  
(512) 463-1300

