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State of Student Aid and Higher Education in Texas

By Carla Fletcher and Kasey Klepfer

TRELLIS RESEARCH | JANUARY 2019

About This Report

The State of Student Aid and Higher Education in Texas (SOSA) annual report from Trellis Research provides information helpful in informing policy and programs for higher education student financial aid. The report serves as a reference for colleges, universities, and policymakers, and provides a comparison of Texas state and federal student aid programs.

A primary goal of the SOSA is to serve as a resource for generating healthy discussions based on a common understanding of the facts. For more than two decades, Trellis has made this complimentary report available to lawmakers and higher education institutions to help inform their work as they shape policies and programs affecting Texas students.

As a straightforward reference report, the SOSA highlights data on a variety of student finance topics, including higher education, demographic projections, college costs, student loan repayment outcomes, and higher education policy.

It is our hope that you find this report useful in your planning and discussions. If you have further requests for information, or to schedule a briefing, please feel free to contact us at any time.

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About Trellis & Trellis Research Services

Trellis Company (trelliscompany.org) is a nonprofit 501(c)(3) corporation with the dual mission of helping student borrowers successfully repay their education loans and promoting access and success in higher education.

Trellis Research (trelliscompany.org/research) provides universities, colleges, and policymakers insight into student success through the increasingly important lens of higher education affordability. With more than three decades of experience studying key issues such as student debt, student loan counseling, and the financial barriers to attainment, our research team continues to explore the roles of personal finance, financial literacy, and financial aid in higher education.

This report is now available in a mobile-friendly format, including a quick search feature for easy access to charts and statistics.

Visit: **trelliscompany.org/state-of-student-aid-2019**

Introduction

The State of Student Aid and Higher Education in Texas publication is intended to be a reference document filled with current and timely statistics. The publication focuses on Texas, but often contains comparisons to the nation or other large states. Each section concentrates on a different issue or set of issues. As a reference document, it is designed such that each page stands on its own. Each page contains a title summarizing the page or highlighting a particular part of the page, a visual element, a brief writeup, and information on the sources used. Because each page stands on its own, you can use the table of contents to find the page or pages of interest without needing to read the entire document cover-to-cover. In fact, it was designed so that a page could be printed and taken to a meeting to ensure that everyone in the room is literally on the same page. To get started, read the section summaries below or scan the table of contents.

Section 1: Texas Demographics

The first section highlights how the future of Texas will depend upon an educated populace, as an increasing percentage of jobs will require higher education. The challenge Texas faces is to meet this demand while grappling with high poverty rates, particularly among the under 18 population. The younger demographic groups are also projected to increasingly be comprised of people of color – for example, in population projections for 2050, 22 percent of Texans under 18 years old will be White while 61 percent will be Hispanic. It will be critical for the future of Texas that low-income students and students of color are supported in their higher education pursuits.

Section 2: Texas College Readiness

This section reviews issues including FAFSA completion rates, college enrollment rates among high school graduates, and the importance of college prep programs in high school leading to enrolling in college. Texas has one of the highest high school graduation rates in the country, but it also has the highest percentage of adults without high school diplomas.

Section 3: Profile of Texas College Students

Texas students are likelier to attend college part-time than students nationwide, and this is especially true at two-year schools. Older students, first-generation students, and students taking developmental education courses are more common outside of the four-year sectors. The two-year sector plays an important college gateway role in Texas. In fact, 79 percent of freshmen in Texas in 2017 were attending a two-year school.

Section 4: Cost of Education and Sources of Aid in Texas

The fourth section presents higher education costs by type and sector, showing that Texas remains lower than the nation in the four-year public and private, non-profit, sectors. This section also demonstrates that Texas students are highly reliant on federal aid, most of which comes in the form of student loans. About 340,000 Texas students benefited from various institutional exemption and waiver programs.

Section 5: Grant Aid and Net Price in Texas

The pages in this section outline federal and state grant programs, with some breakouts by race/ethnicity and comparisons to other large states. Based on total awards and average award amount, the Pell grant is the largest grant program for Texas students by far. However, the average Pell grant award in Texas only covers 19 percent of the total cost for two semesters at a Texas public four-year university or at a Texas public two-year college.

Section 6: Loans

This section looks at the largest state loan program, the HHL-CAL, and the federal student loan program by school type and race/ethnicity. The total awards for the HHL-CAL have significantly increased for the past three years. Almost half of the total is awarded in one region in Texas and overall the loan is disproportionately awarded to students attending private four-year institutions, where costs tend to be higher.

Section 7: Need and Work

Unmet need, the amount of money a student still needs to pay for college after all financial aid, can be a serious hurdle for many students. Students in Texas with household incomes below $35,000 had more than $9,000 in unmet need in academic year 2016-2017. Students with unmet need are less likely to graduate than those with no unmet need. This section also shows that students would need to work 66 hours per week on minimum wage to pay for a Texas public four-year education, and 53 hours per week for a Texas public two-year education.

Section 8: Texas College Attainment

More education typically leads to higher earnings and lower unemployment, as demonstrated in the pages in this section. About a third of Texans aged 25 and older have at least a bachelor's degree, but wide gaps exist between racial/ethnic groups, different regions of the state, and income groups.

Section 9: Student Financial Wellness

This section reviews recent studies of student financial wellness, including food and housing security. Students who struggle with affording basic needs will likely have a more difficult time persisting through college to graduation compared with peers not experiencing those struggles. Many students are concerned with being able to afford college and report running out of money during the school year.

Section 10: Evidence-Based Programs and Interventions

Many institutions introduce programs designed to help students, with the hope of improving retention and graduation rates. This section reviews recent rigorous evaluations of institutional programs, finding that something relatively small in effort and cost, such as a text nudge, may have some limited positive effects. Evaluations of need-based grants have found that they can significantly increase retention and graduation rates.

Section 11: Consumer Debt

Overall student loan debt has been increasing at a steady rate for years, different from the patterns of other consumer debt such as auto and credit cards, which tend to reflect broader economic trends. Delinquency rates for student loans saw a dramatic uptick following the 2008 recession that was not experienced in other types of consumer debt.

Section 12: Delinquencies, Defaults, and Collections

After having a lower cohort default rate on student loans than the national average for the first time last year, Texas again has a higher rate than the U.S. average. The overall rate for Texas is 10.9 percent, though this varies some by region of the state and by school type. This section also includes some sobering statistics about loan repayment and default using new federal data that has a longer tracking window than the official cohort default rate.

Section 13: Texas Higher Education and Student Debt Policy

The last section looks at aspects of higher education policy in Texas, including a summary of the progress towards the 60x30TX strategic plan goals and the current biennium funding of Texas financial aid programs. Higher education policy, especially as related to financing, is an increasingly discussed topic politically. At more than $100 billion, outstanding student loan debt in Texas is growing at a faster rate than this debt nationally.

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Glossary of Terms

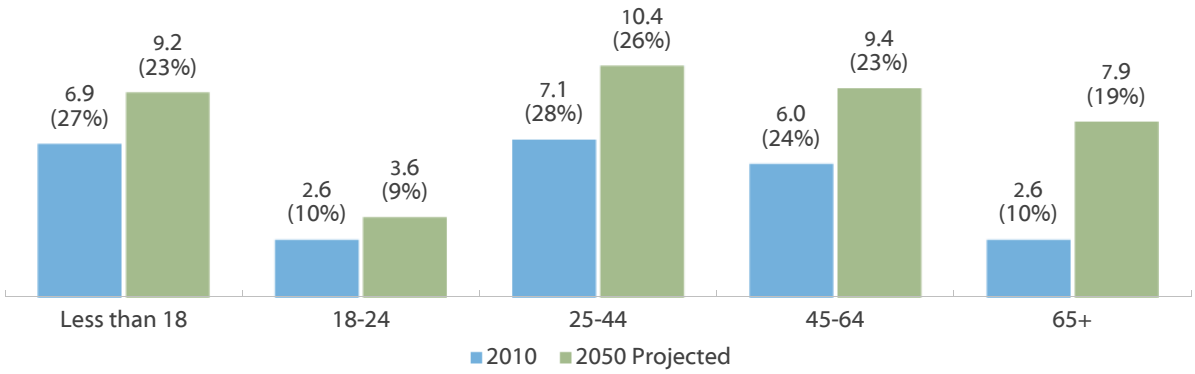
Academic Year	An academic year is a nine-month period that, for traditional programs of study, begins in August and ends the following May.
Award Year	A 12-month period beginning July 1 and ending June 30 of the following year.
Average	Often called the mean, the average is a common statistical method used to calculate central tendency. The average is found by adding all numbers together and dividing the sum by the number of items included in the calculation.
Borrower	An individual to whom a student loan is made.
Claim	A request that the lender (or lender's servicer) files with the guarantor for reimbursement of its losses on a Federal Stafford, SLS, PLUS, or consolidation loan due to the borrower's death, disability, default, or bankruptcy; school closure; an unpaid refund; theft of the borrower's identity; or false certification of the borrower's eligibility.
Cohort Default Rate	The percentage of Federal Stafford loan borrowers who default before the end of the second fiscal year following the fiscal year in which they entered repayment on their loans. The Department of Education calculates this rate annually.
Fiscal Year	A 12-month period beginning October 1 and ending September 30 of the following year. Fiscal Year 2013, for example, begins October 1, 2012, and ends September 30, 2013.
Median	A statistical measurement used to calculate the middle most number within a range of numbers. Using the median is a preferred measure of central tendency for when skewed, or distorted, distributions of numbers occur.
Weighted for Enrollment	Using the institution's enrollment in the formula to determine the average in order to give greater weight to those institutions with high enrollments.

SECTION 1

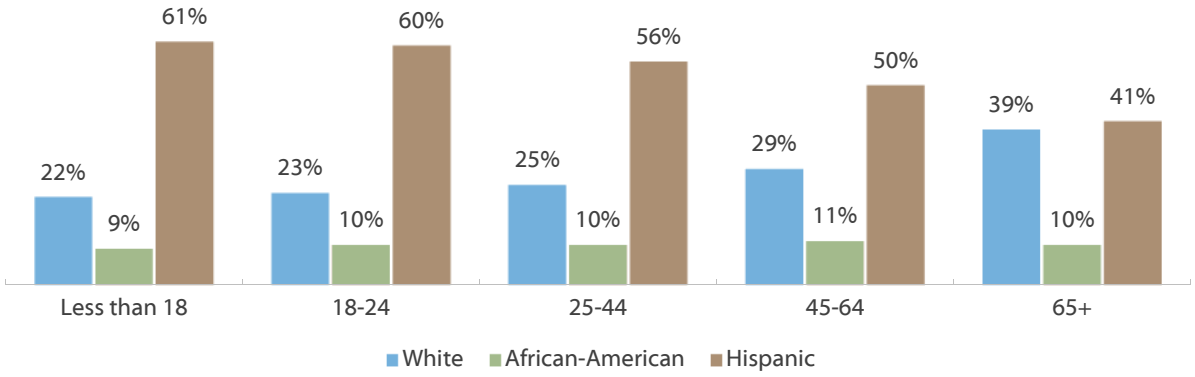
Texas Demographics

Texas' Future Depends on the Education of Its Non-White Population

Texas Population by Age in Millions and Percentage of Total in Each Year: 2010 and 2050 (Projected*)



Projected* 2050 Population by Age and Ethnicity in Texas



From 2010 to 2050,* Texas is expected to add 2.3 million more children under age 18 and one million more adults age 18 to 24 — the traditional college age population. The population age 25 to 64 will grow by almost seven million, while the numbers of those aged 65 and older will swell by more than five million. Despite the increase in the number of children and young adults, people age 24 and younger will actually drop as a percentage of the population, from 38 percent to 32 percent. Meanwhile, people age 65 and older will increase from 10 percent to 19 percent.

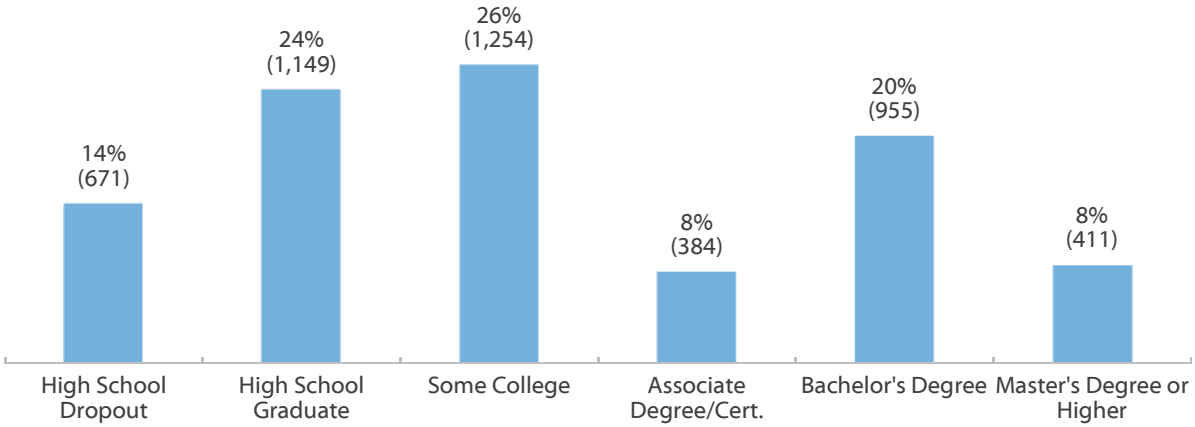
As Texas changes from a majority-White to majority-Hispanic state, and experiences an increase in the percentage of the elderly population, a significant difference emerges with respect to population by age. In 2050,* 61 percent of children, 60 percent of 18- to 24-year-olds, and 56 percent of 25- to 44-year-olds will be Hispanic. By contrast, only 41 percent of those 65 and older will be Hispanic. The African-American population will remain relatively stable, at nine percent to 11 percent of each age group. Increasingly, the future of Texas, including its economic prosperity, as well as the expertise needed to run business, government, and infrastructure, will depend on the education of its non-White populations, which historically have had lower incomes, higher rates of poverty, and lower likelihood of attending and completing college than Whites.

* Based on the 0.5 scenario, which assumes half the net migration into state as was recorded from 2000 to 2010. The State Demographer suggests that the 0.5 scenario is most appropriate for long-term planning.

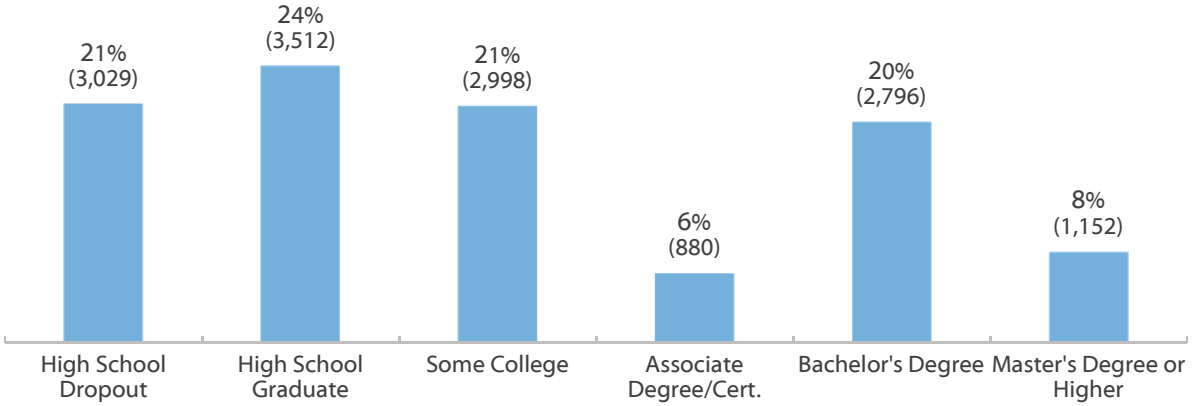
Source: Texas State Data Center and Office of the State Demographer, "Texas Population Projections Program: 2014 Population Projections", Population Projections for State of Texas by Age Group (http://osd.texas.gov/Data/TPEPP/Projections/).

More Than Half of Jobs in Texas Will Require Postsecondary Education by 2020

Projected Percentage (and Number in Thousands) of Job Openings in Texas by Typical Entry Education Level, 2010-2020



Projected Percentage (and Number in Thousands) of Total Jobs in Texas by Typical Entry Education Level in 2020

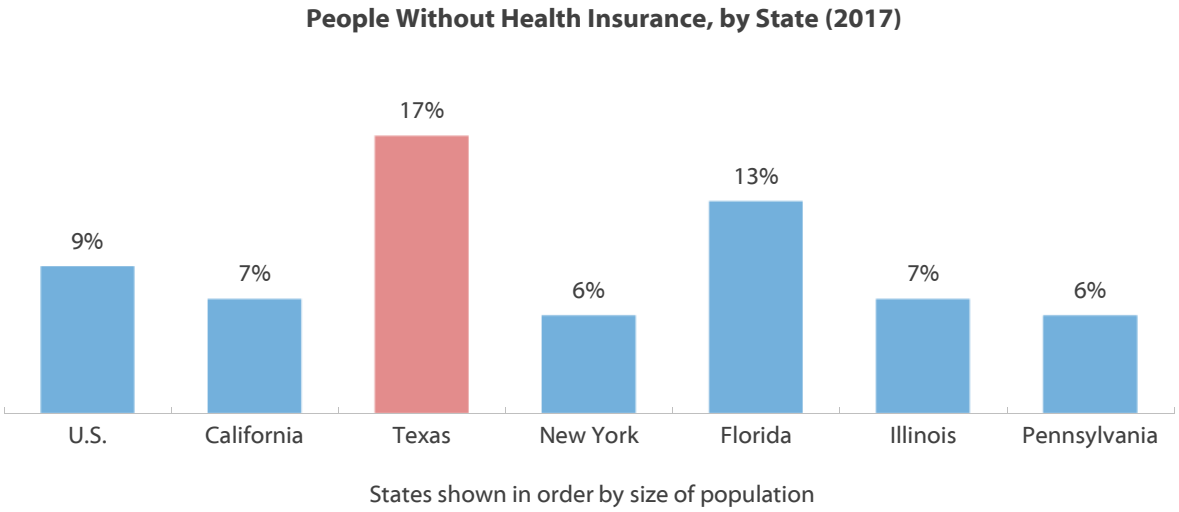


By 2020, approximately 54 percent of jobs in Texas and 65 percent of jobs nationally will require some kind of formal training or education beyond high school. Between 2010 and 2020, approximately 62 percent of all job openings in Texas will require some postsecondary education, and around 36 percent of those positions will require the attainment of a degree or certificate.

For employees without any postsecondary education, most job openings by 2020 will come from the food service, personal service, and blue-collar occupations, such as construction, production, and transportation. Openings that generally require postsecondary education will be concentrated in sales and office support, healthcare, education, and managerial roles, which, along with food/personal services, will also be the fastest growth occupations.

Source: Georgetown University Center on Education and the Workforce, *Recovery: Job Growth and Education Requirements Through 2020,* June 2013 (http://cew.georgetown.edu/recovery2020/states/).

More Than One in Six Texans Lacks Health Insurance

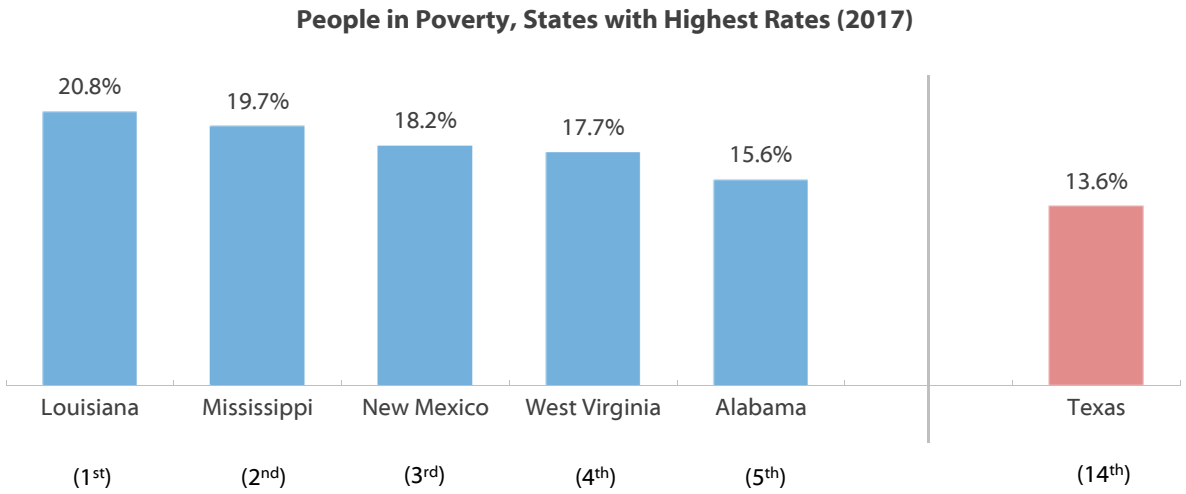


About nine percent of Americans lacked health insurance in 2017. The percentage is much higher in Texas. At 17 percent, Texas is almost twice the national average. It has the highest percentage of any state, with Oklahoma coming in second at 14 percent.

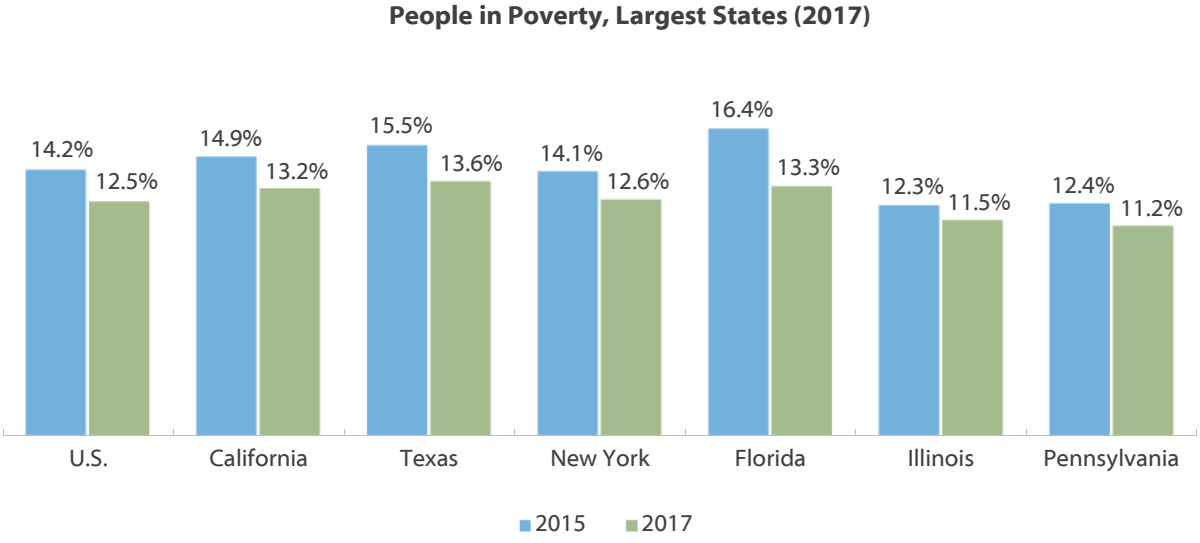
Family health crises can be unpredictable, and the resulting financial disruption can derail college plans. While financial aid administrators can make mid-year adjustments using professional judgement, this requires students to make a formal appeal, and adjustments may still be insufficient to help the student stay in school.

Source: U.S. Census Bureau, "Health Insurance Coverage in the United States: 2017" (https://www.census.gov/library/publications/2018/demo/p60-264.html).

Texas Poverty Rate Declines, but Still Fourteenth Highest in Nation



The prevalence of people in the U.S. living in poverty declined from 14.0 percent in 2016 to 12.5 percent in 2017. While Texas has the fourteenth highest poverty rate in the nation and a poverty rate higher than the national average, it saw its poverty rate drop by two percentage points during this time period. In 2017, poverty was defined as having an income of $24,858 or less for a family of four with two children, or $12,752 or less for an individual under 65 years old.

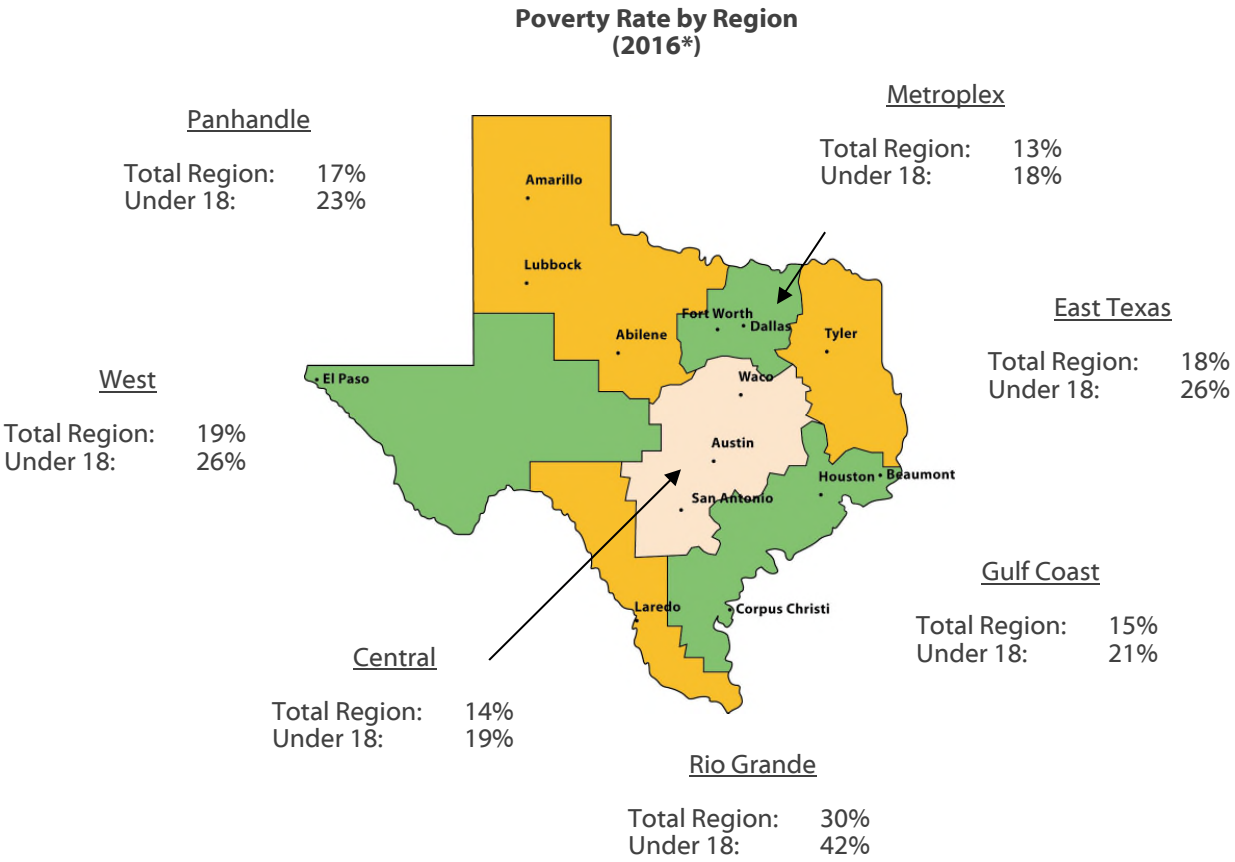


States shown in order by size of population

At 13.6 percent, Texas continues to have the highest poverty rate among the six largest states, followed by Florida at 13.3 percent. All of the six largest states and the nation overall saw a decrease in poverty rate between 2015 and 2017.

Sources: Poverty Rates: U.S. Census Bureau, "Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2014-2015 and 2016-2017" (https://www.census.gov/data/tables/2018/demo/income-poverty/p60-263.html); Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2017" (https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html)

Texas Poverty Rates Vary Widely By Region



The 2016* poverty rate in Texas was 16 percent overall and 22 percent for children under 18; however, these rates vary widely by region. By a large margin, the Rio Grande region has the highest rates of overall and childhood poverty at 30 and 42 percent respectively – at least 11 percentage points higher than the next highest region. The Metroplex region had the lowest rates of poverty at 13 percent overall and 18 percent for those under 18.

In 2016, poverty was defined as having an income of $24,339 or less for a family of four with two children, or $12,486 or less for an individual under 65 years old.

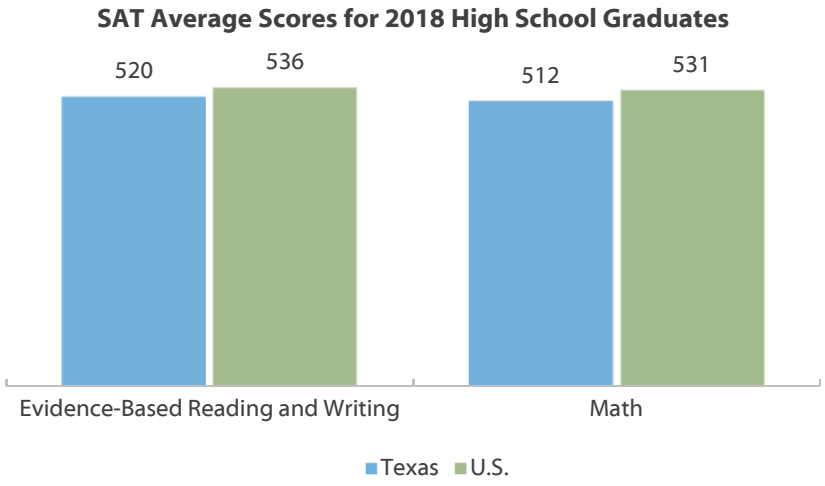
* The 2016 poverty rates are the most current available at the county level.

Sources: Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2016" https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html); Poverty rates by region: U.S. Department of Agriculture, Economic Research Service, "Poverty estimates for the U.S., States, and counties, 2016" (http://www.ers.usda.gov/data-products/county-level-data-sets/download-data.aspx).

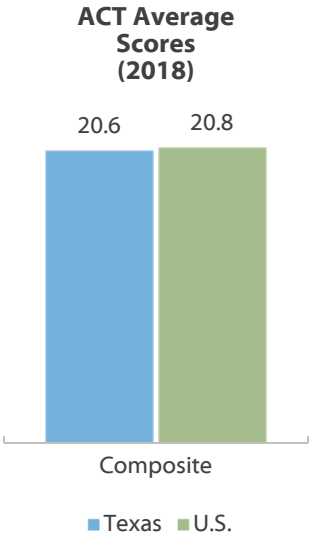
SECTION 2

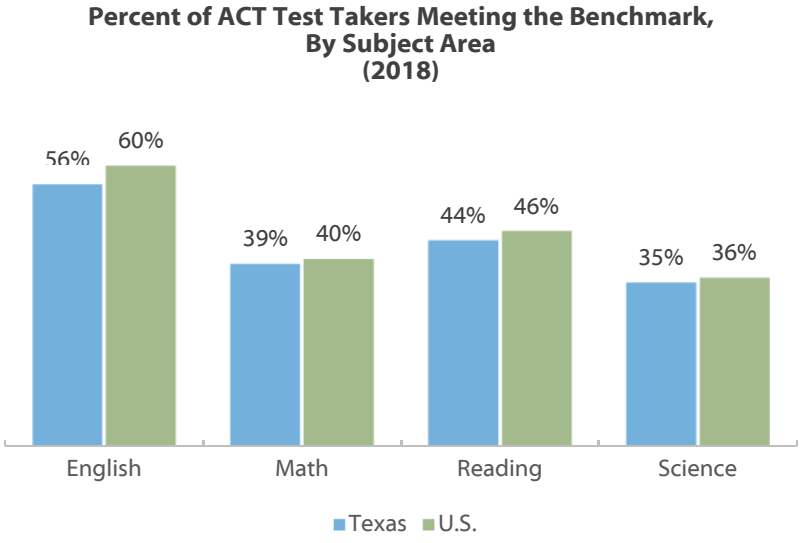
Texas College Readiness

Texas ACT Scores Comparable to the Nation, SAT Scores Lag Behind



More than 200,000 Texas high school seniors and 2.1 million high school seniors nationwide — well over half the total graduating class for both groups — took the SAT in the 2017–2018 school year. Average SAT scores are lower in Texas compared to the U.S. in both categories.

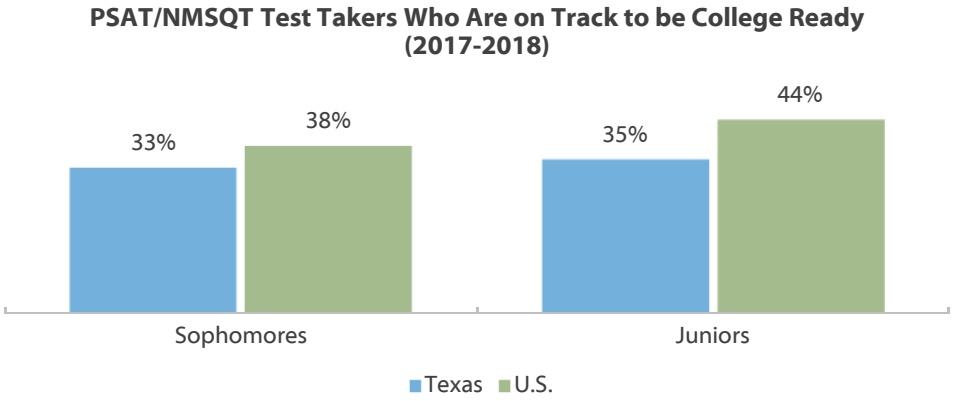




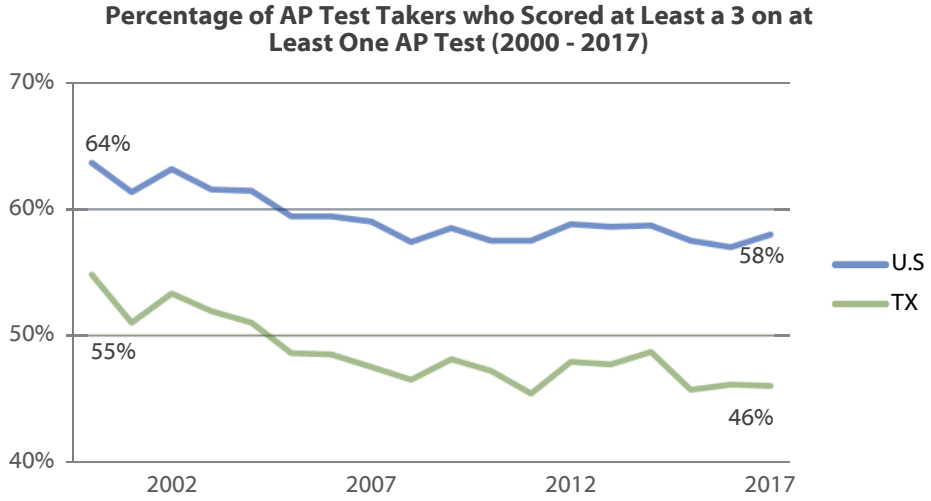
The American College Test (ACT) is less popular in Texas than the SAT but may be gaining in popularity. Forty-one percent of the class of 2018 Texas high school graduates took the ACT, up from 37 percent since 2013. Nationally, 55 percent of high school graduates took the exam. While average ACT composite scores in Texas have often lagged slightly behind national averages, the average composite score for Texas graduates has roughly mirrored that of the nation as a whole in recent few years, with slight variations in each subject area.

Source: SAT: The College Board, SAT Data & Reports, College-Bound Seniors 2018 (https://reports.collegeboard.org/pdf/2018-total-group-sat-suite-assessments-annual-report.pdf; https://reports.collegeboard.org/pdf/2018-texas-sat-suite-assessments-annual-report.pdf); ACT: ACT, National and State Scores 2018 (https://www.act.org/content/act/en/research/condition-of-college-and-career-readiness-2018.html).

Texas High School Students Lag Behind Students Nationally in College Readiness



The Preliminary SAT (PSAT) and National Merit Scholar Qualifying Test (NMSQT) are taken by high school sophomores and juniors. The tests help the students prepare for the SAT and prompt them to begin planning for college. The College Board has developed college readiness benchmark scores that students should meet or exceed in order to be considered on track for college readiness. Based on this measure, Texas sophomores and juniors lag behind their national peers somewhat in college readiness.

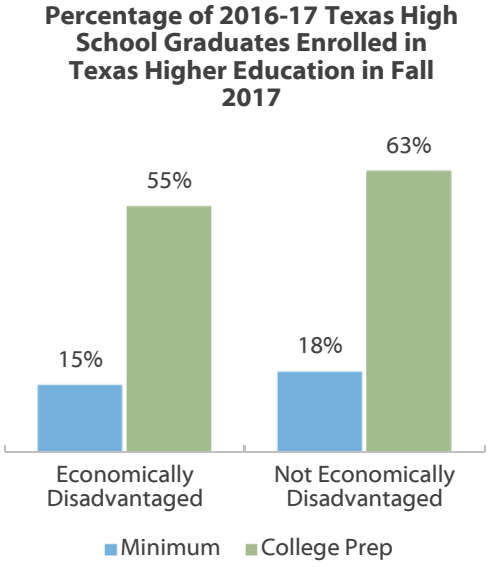


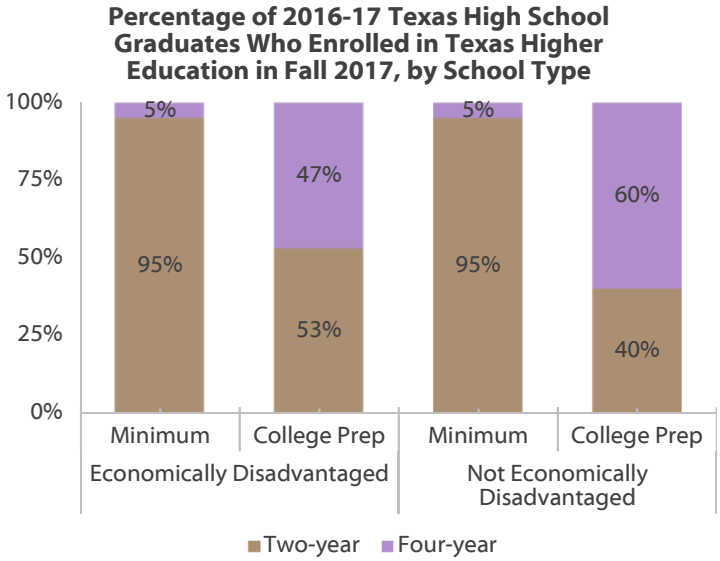
The Advanced Placement (AP) program offers more than 30 college-level courses and examinations to high school students, though a student can take an exam without having taken the course. These courses satisfy high school diploma requirements, and sufficient scores on the exams can help students gain admission to selective colleges and even earn college credit (at the institution's discretion). Since 2005, all public higher education institutions in Texas that have freshman level courses have been required to grant credit to incoming students who earn a 3 or higher on an AP exam.

Texas trailed the nation in success rates in 2017, with 46 percent of test takers earning at least a 3 on an AP exam compared to 58 percent nationally. The percentage of AP test takers who scored at least a 3 on at least one AP test has declined both nationally and in Texas since 2000, however, the total numbers of AP test takers have also increased significantly during this time period.

Source: PSAT/NMSQT: The College Board, PSAT/NMSQT Data & Reports (https://reports.collegeboard.org/pdf/2018-texas-sat-suite-assessments-annual-report.pdf; https://reports.collegeboard.org/pdf/2018-total-group-sat-suite-assessments-annual-report.pdf); AP: The College Board, AP Program and Participation Data 2017 (https://research.collegeboard.org/programs/ap/data/archived/ap-2017).

A High School Curriculum of Academic Intensity Boosts College Success for Disadvantaged Students





While family income has a positive association with college enrollment, access to a high school curriculum of high academic intensity and quality, such as the Recommended or Distinguished achievement programs in Texas, can also play a key role in students' success. A U.S. Department of Education study found that the intensity and quality of a student's high school curriculum has a bigger impact on bachelor's degree completion than either the student's high school test scores or the student's grade point average (GPA).

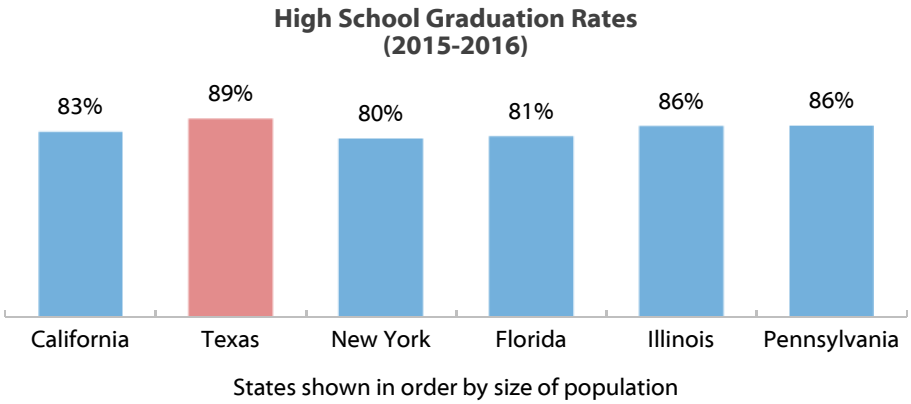
In 2016–17, high school graduates with College Prep* diplomas were more likely to enroll in college immediately following graduation, with 55 percent of economically disadvantaged** students with College Prep diplomas enrolling in college compared to 15 percent of those with minimum diplomas. For students who were not economically disadvantaged, 63 percent of those with College Prep diplomas enrolled in college compared to 18 percent of those with minimum diplomas. "Economically disadvantaged," college-prepared high school graduates are 13 percentage points less likely than college-prepared students considered "not economically disadvantaged" to enroll in a four-year college after graduation.

*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep diploma for the purposes of this analysis, and a graduate of the Minimum achievement program is considered a Minimum program. The Recommended and Distinguished programs require more completed credits (26) in mathematics, science, social studies, language other than English, and fine arts than the minimum program. The Minimum program has fewer required completed credits (22). Students enrolled under the Foundation program, fourteen percent of 2016-17 Texas high school graduates, are excluded from this analysis as this new diploma program is intended to replace all existing diploma types, and thus encompasses minimum and college prep curriculums.

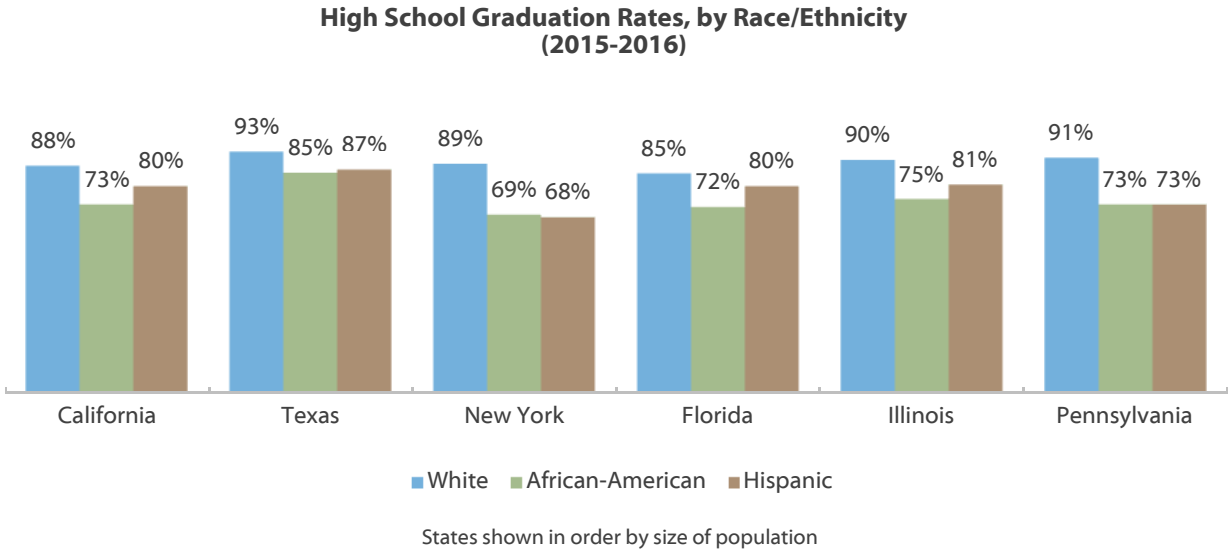
** The Texas Education Agency (TEA) collects data on whether a student is "economically disadvantaged" based on the student's eligibility for free or reduced lunch as a proxy for family income. The TEA does not have detailed information about family income.

Sources: High school curriculum and degree completion: U.S. Department of Education, Office of Educational Research and Improvement, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment*, by Clifford Adelman (1999) (http://www2.ed.gov/pubs/Toolbox/toolbox.html); Side-by-Side Comparison: Texas Graduation Programs 2014-2015: (https://tcta.org/sites/tcta.org/files/current_hb5_grad_requirements_comparison_chart.pdf); All other: THECB, "2016-2017 Texas High School Graduates Enrolled in Higher Education Fall 2017, by Economic Category, Diploma Type, and Ethnicity" (unpublished tables).

Texas Ranks Near Top in High School Graduation Rates



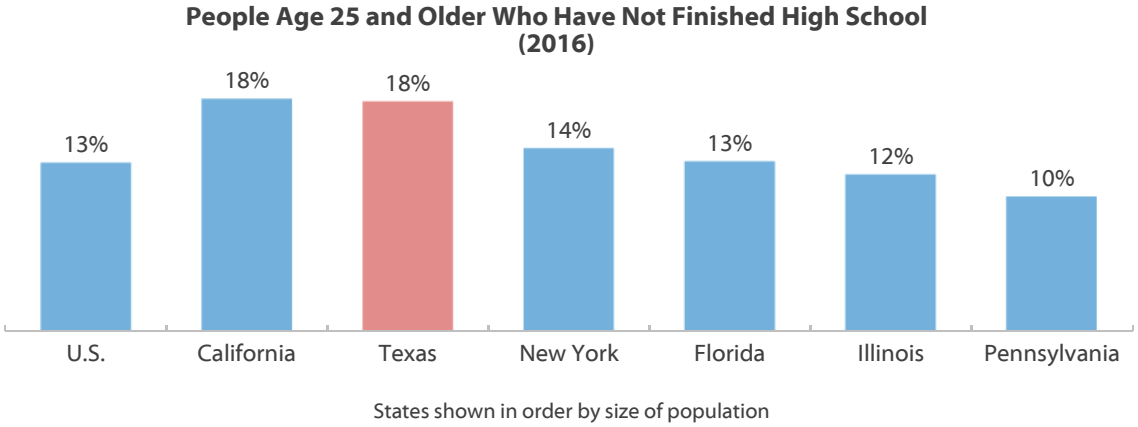
Texas ranked fifth in the nation for high school graduation rates in 2015-2016, tying with 4 other states at 89 percent. Texas ranked highest among the six most populous states in the nation and led the most populous states in graduation rates within racial and ethnic groups. Nationally, the overall graduation rate in 2015-2016 was 84 percent.



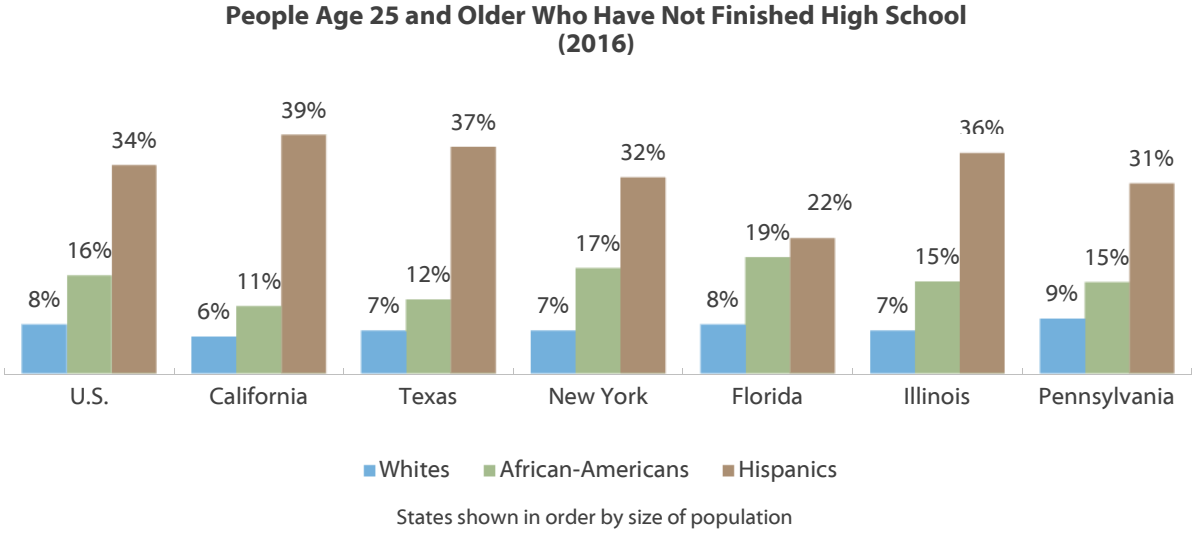
The recent increases in high school graduation rates have been due in part to dramatic reductions in the number of "dropout factory" high schools in the past 10 years. These schools are defined as having 60 percent or less of their ninth-grade class still enrolled in their senior year. In 2002, more than 2.6 million students were enrolled in these type "dropout factory" high schools compared to less than 900,000 in 2015.

Sources: Graduation Rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (https://eddataexpress.ed.gov/); All else: America's Promise Alliance, *2017 Building a Grad Nation Report: Progress and Challenge in Raising High School Graduation Rates* (http://gradnation.americaspromise.org/report/2017-building-grad-nation-report#driver-5-low-graduation-rate-high-schools).

Texas Ties For Largest Percentage of People Age 25 and Older Lacking a High School Education



In 2016, 18 percent of people age 25 and older (or 3 million people) in Texas had not finished high school. This is the same percentage as California and a higher percentage than any other state in the nation. In the U.S., 13 percent of adults had not finished high school. Not completing high school can have a detrimental effect on college access. However, overall high school diploma attainment in Texas is improving. Recent Texas high school graduation rates rank Texas near the top compared to other states.



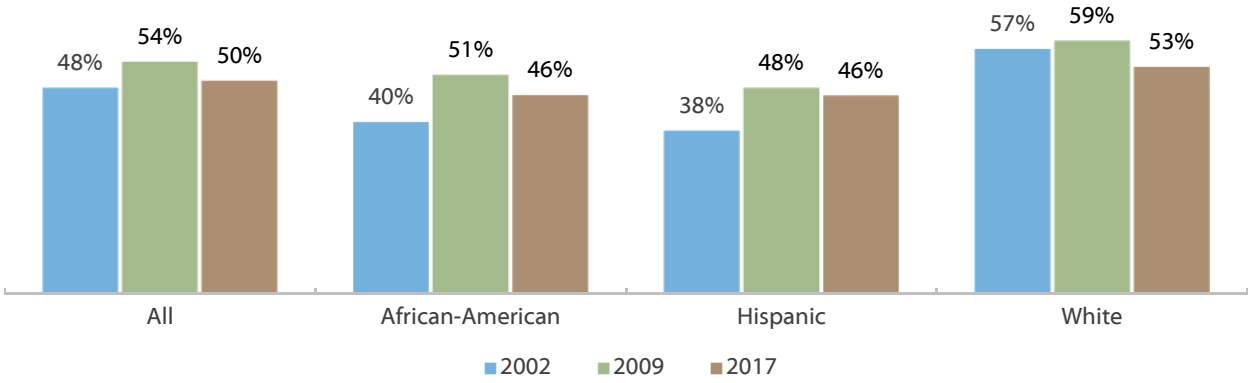
The high school completion rates of different racial and ethnic groups vary widely. Although these disparities exist in many areas of the country, they are particularly important for Texas, which has become a "minority-majority" state. At the high school level, data show that:

- Hispanics, who comprised over a third of the Texas population in 2016 and who are projected to comprise 53 percent by 2050, are the least likely to have obtained a high school diploma. As of 2016, 37 percent of Hispanics age 25 and older had not finished high school.
- Approximately 12 percent of African-Americans in Texas have not completed high school. This represents a major improvement since 2006, when 17 percent of African-Americans had not finished high school.

Sources: Texas State Data Center and Office of the State Demographer, Texas Population Projections Program, "Population Projections for the State of Texas and Counties in One File," 2018 (http://www.txsdc.utsa.edu/Data/TPEPP/Projections/Index.aspx).
High school completion among 25 and older: U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates, Detailed Tables (http://www.census.gov/acs/www/); High school graduation rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (http://eddataexpress.ed.gov/).

About Half of Texas High School Graduates Enroll in College Immediately after High School

Percentage of Texas High School Graduates Enrolling in College Immediately after Graduation*



In 2000, Texas set the goal of "Closing the Gaps" in participation and success in higher education by 2015 by increasing the number of students enrolled and the number of degrees awarded. The new 15-year plan, 60x30TX, began in 2015, building on the goals and results of the "Closing the Gaps" plan.

In 2002, 48 percent of all Texas high school graduates entered college in the summer or fall immediately after high school graduation. This increased to 54 percent in 2009, but has been steadily declining slightly each year since to 50 percent in 2017. This overall trend holds for the individual racial/ethnic groups – the rates reach a high point in 2009 and then fall slightly each year after until 2017.

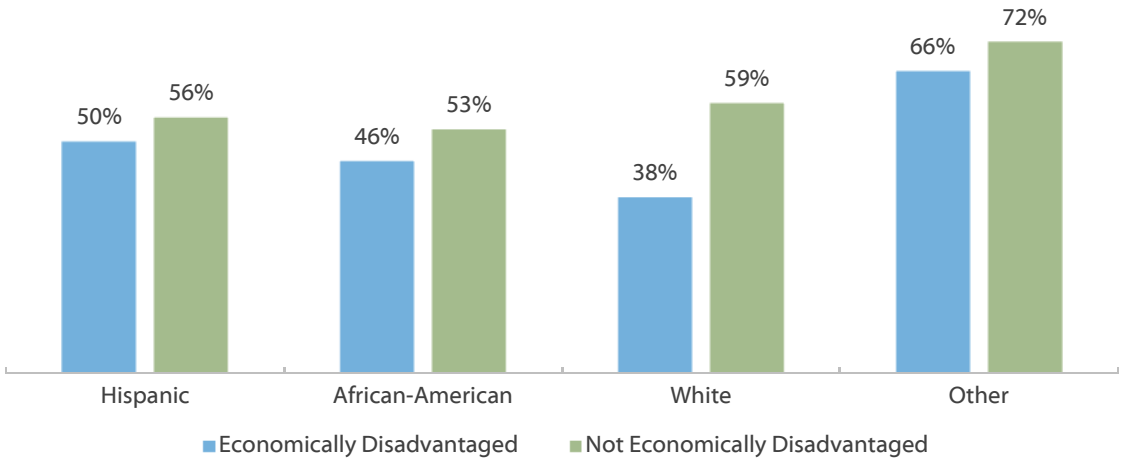
The percentage of White students who enroll still exceeds the percentage of non-Whites; however, this gap is closing. There was a 19-percentage point gap between White students and Hispanic students in 2002 which shrank to 7 percentage points by 2017, due both to rising college enrollment rates among Hispanic students and dropping rates among White students. A similar trend is seen comparing African-American students to White students. Keeping track of college enrollment immediately following high school graduation is important because delaying postsecondary enrollment after high school graduation is a risk factor for eventually dropping out of college or never enrolling.

* Includes only Texas high school graduates who enrolled in a Texas public or private, nonprofit college or university. Data on students who enrolled at proprietary institutions or enrolled in out-of-state schools are not available. In AY 2007–2008, about 93 percent of Texas students who enrolled in college immediately after high school graduation were attending school in their state of residence.

Sources: "Closing the Gaps" goals: Texas Higher Education Coordinating Board (THECB) *Closing the Gaps.* October 2000 (http://www.thecb.state.tx.us/reports/PDF/0379.PDF?CFID=11742258&CFTOKEN=38987795); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2017, "High School Graduates Enrolled in Higher Education the Following Fall: State Summary by Ethnicity and Higher Education Sector, Fall 2000 to Fall 2017" (http://www.txhighereddata.org/index.cfm?objectId=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A).

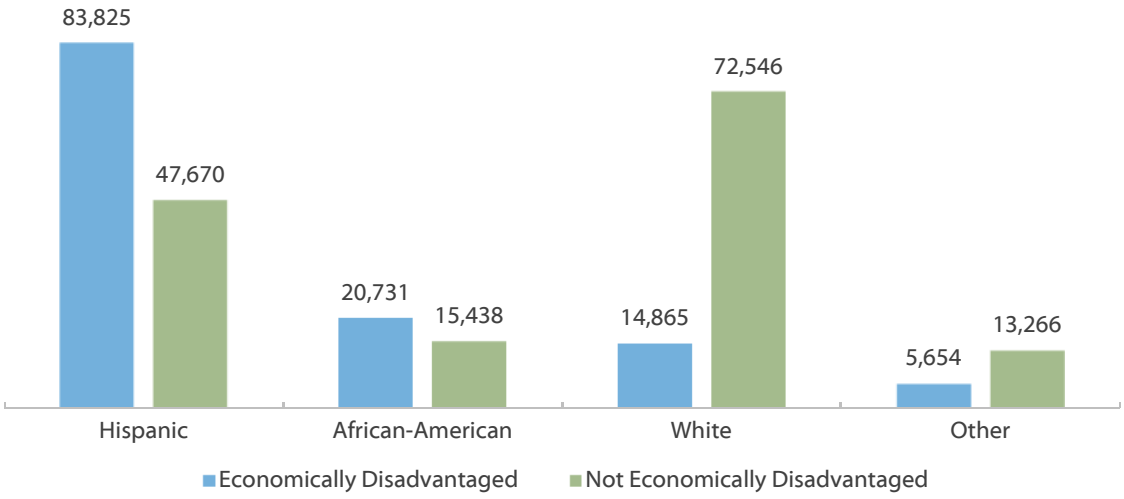
Low-Income Texas Students Are Less Likely to Enroll in College

Percentage of 2016-17 Texas High School Graduates Enrolled in Texas Higher Education in Fall 2017, by Ethnicity



Economically disadvantaged* high school graduates in Texas are less likely to enroll in college. This is true across all racial and ethnic categories but is especially pronounced for White students.

Number of 2016-17 Texas High School Graduates, by Ethnicity



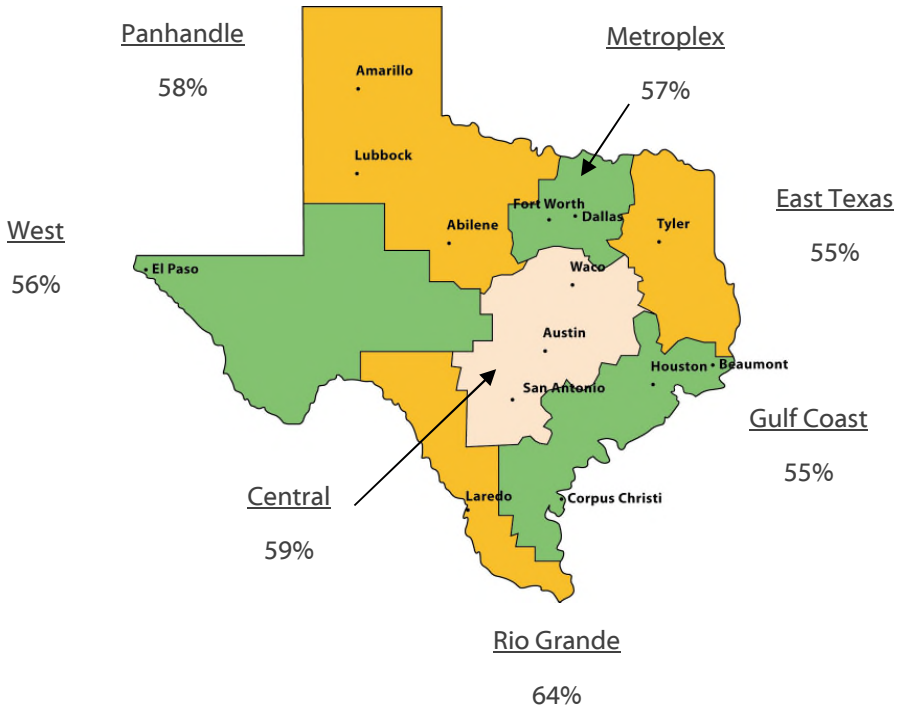
Only 17 percent of White high school graduates in Texas are considered to be economically disadvantaged, while 64 percent of Hispanic and 57 percent of African-American high school graduates are considered economically disadvantaged.

*The Texas Education Agency (TEA) collects data on whether a student is "economically disadvantaged" based on the student's eligibility for free or reduced lunch as a proxy for family income. The TEA does not have detailed information about family income.

Sources: The Texas Higher Education Coordinating Board, "2015-2016 High School Graduates Enrolled in Higher Education Fall 2016, by Diploma Type and Ethnicity" (unpublished tables).

Rio Grande Valley Has Highest FAFSA Completion Rates in Texas

Fall 2018 FAFSA Completion Rate by Region*



The Free Application for Federal Student Aid (FAFSA) is the standardized financial aid application used by nearly all colleges and universities to award all types of financial aid. The form is administered by the U.S. Department of Education. Many students and families do not realize that most colleges and universities use this form to award all financial aid, not only Federal loans and grants. By completing the FAFSA, students and their families may have access to more financial options and may be able to make more informed decisions about college enrollment.

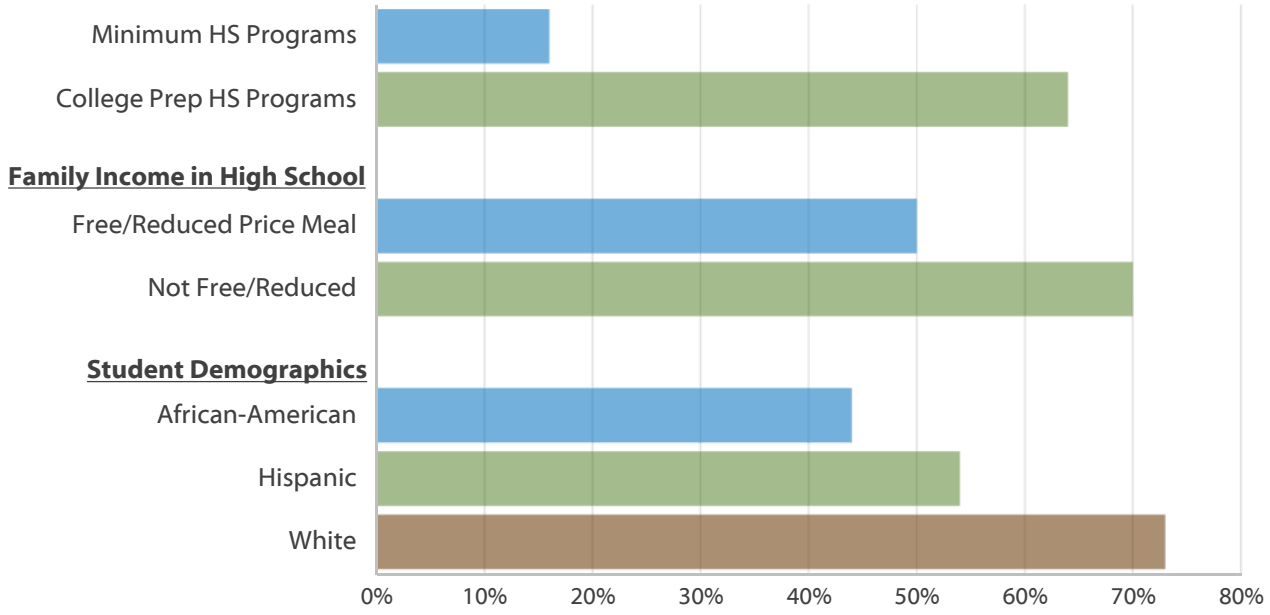
The statewide FAFSA completion rate was 57 percent in fall 2018 and varied from 55 percent in the East Texas and Gulf Coast regions to 64 percent in the Rio Grande Valley region. The overall state FAFSA rate fell 5 percentage points from the previous year, potentially in part due to dramatically increased rates of verification requests in the 2017-18 FAFSA cycle. FAFSA verification is the term used when the U.S. Department of Education requests additional information or action from students who have submitted applications in order to verify the accuracy of the information. Students who submit applications that are incomplete or have conflicting information are more likely to be flagged for verification, but students may also be selected at random. The time delays and additional effort associated with getting through the verification process may cause some students to miss out on aid, or may discourage students from completing the application or enrolling at all.

* Fall 2018 represents the class of 2017-2018 high school seniors completing the FAFSA as of September 28, 2018.

Source: U.S. Department of Education, Office of Federal Student Aid, *FAFSA Completion by High School* (http://studentaid.ed.gov/about/data-center/student/application-volume/fafsa-completion-high-school). Number of high school seniors from Texas Education Agency (special request); FAFSA Verification Issues: The Daily Texan, Increased FAFSA Verification Requests Cause Students Trouble (December 7, 2017) (http://www.dailytexanonline.com/2017/12/07/increased-fafsa-verification-requests-cause-students-trouble).

The Importance of College Prep Programs in High School

Percent of 2016-17 Texas High School Graduates, Enrolled in Texas Higher Education in Fall 2017 that Met All TSI Standards



The Texas Success Initiative (TSI) was created by the state to help colleges and universities assess the college-readiness of incoming students in reading, writing, and math. To meet TSI standards, students either score high enough on an approved TSI assessment or complete an approved TSI exemption (e.g., scoring above a threshold on the SAT, ACT, or TAKS tests, or completing college-level coursework). Students who do not meet TSI standards may be required to complete developmental coursework – courses that often do not count towards a certificate or degree program – before enrolling in college-credit courses.

Of all 2016-17 high school graduates who enrolled in higher education the following fall, 61 percent met TSI standards in math, writing, and reading. However, the percentages of high school students who met all TSI standards varied widely when comparing characteristics. Students who enrolled in higher education after completing the minimum high school diploma program were far less likely to meet TSI standards than students who completed the College Prep* diploma. Sixty-four percent of students in the College Prep diploma program met all TSI standards, compared to just 16 percent of those completing the minimum diploma program.

Low-income high school graduates were also less prepared for college than their peers. Fifty percent of students who received free or reduced-price meals in high schools – a common metric to identify low-income students – met all TSI standards compared to 70 percent of students who did not receive free or reduced-price meals. College readiness measures also varied based on student demographics. Seventy-three percent of White students met all TSI standards, compared to 54 percent of Hispanic students and 44 percent of African-American students.

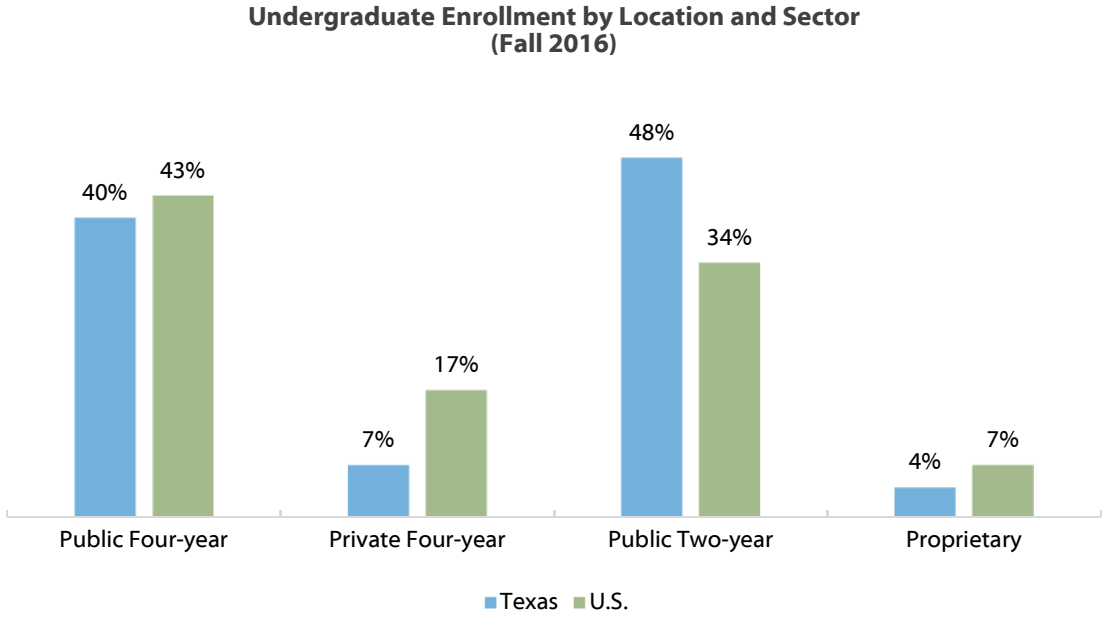
*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep diploma for the purposes of this analysis, and a graduate of the Foundation or Minimum achievement program is considered a Minimum program. The Recommended and Distinguished programs require more completed credits (26) in mathematics, science, social studies, language other than English, and fine arts than the minimum program. The Minimum program has fewer required completed credits (22).

Source: TSI Description and Requirements, College for All Texas, (http://www.collegeforalltexans.com/index.cfm?objectid=63176344-FFFA-217B-60C9A0E86629B3CA). Student Performance on Texas Success Initiative (TSI) Readiness Measures 2016-17 High School Graduates Enrolled in Texas Public Higher Education in Fall 2017, THECB, August 2018, (http://www.txhighereddata.org/index.cfm?objectId=271084AB-F486-92EE-63465FF6417C448E)

SECTION 3

Profile of Texas College Students

Texas Undergraduates More Likely to Attend Two-year Institutions Than U.S. Undergraduates



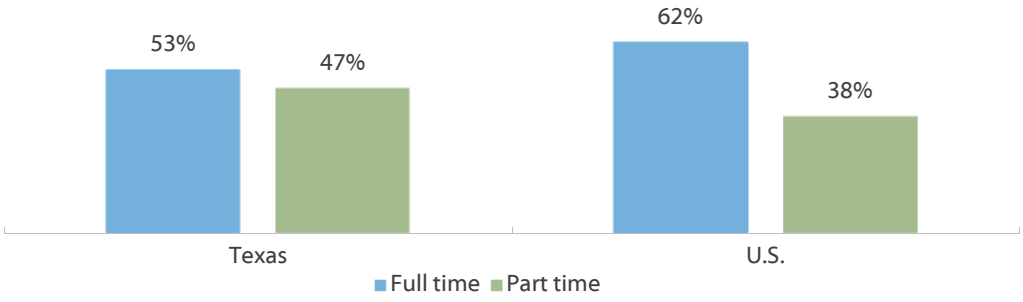
Almost half Texas undergraduates attended public two-year institutions in the fall of 2016, far higher than the percentage of undergraduates nationwide in that sector. Texas undergraduates were less likely to be enrolled at private four-year or proprietary institutions compared to undergraduates nationwide, and about as likely to be enrolled at public four-year institutions.

While its relative low cost helps create access to postsecondary education, students who enroll at public two-year institutions are more likely to attend part-time compared to students enrolled in other sectors. Part-time students are at a greater risk of dropping out compared to those attending full-time (see the next page), which is one of the factors that makes Texas undergraduates generally riskier than U.S. undergraduates.

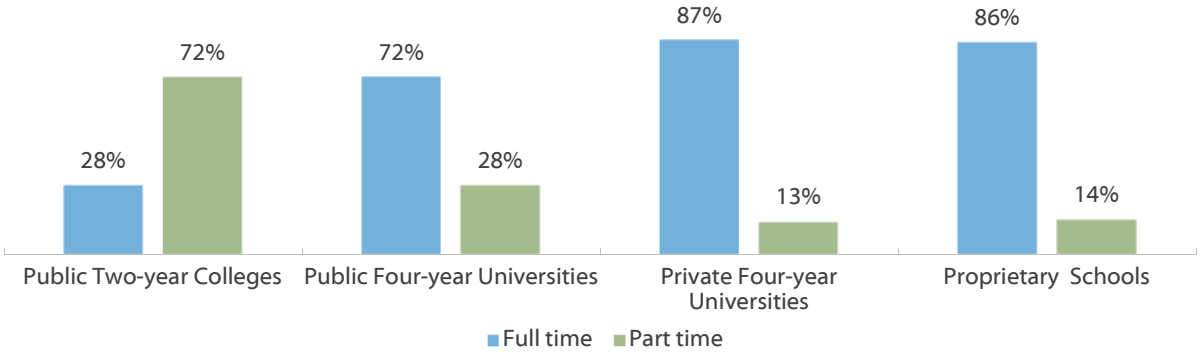
Sources: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/).

Nearly Half of Undergraduates in Texas Enroll in School Part Time

Enrollment Intensity of Undergraduates in Texas and the U.S. (Fall 2016)



Enrollment Intensity of Undergraduates in Texas by School Sector (Fall 2016)

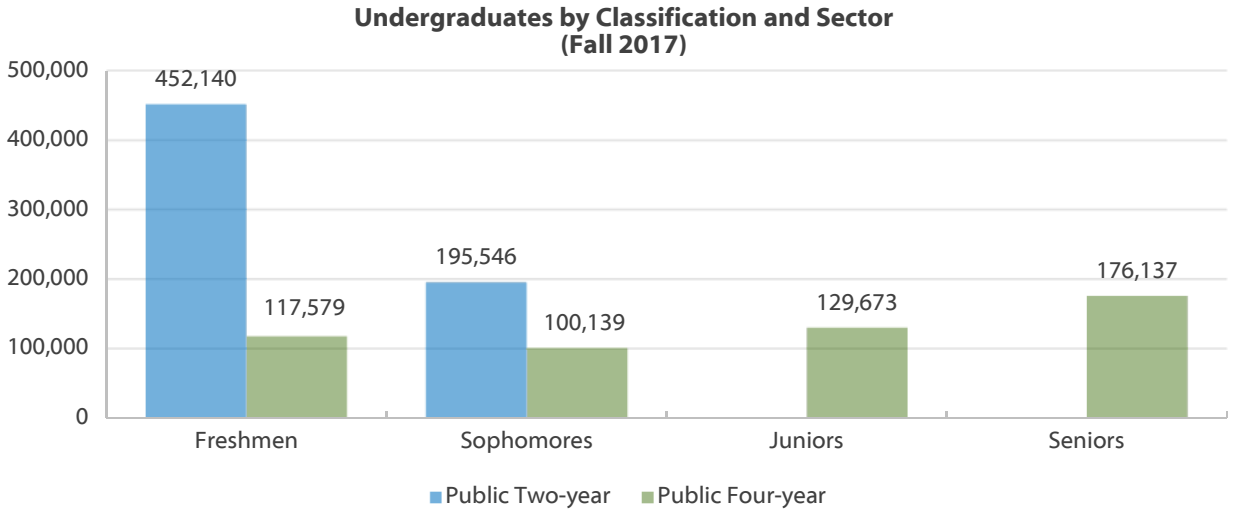


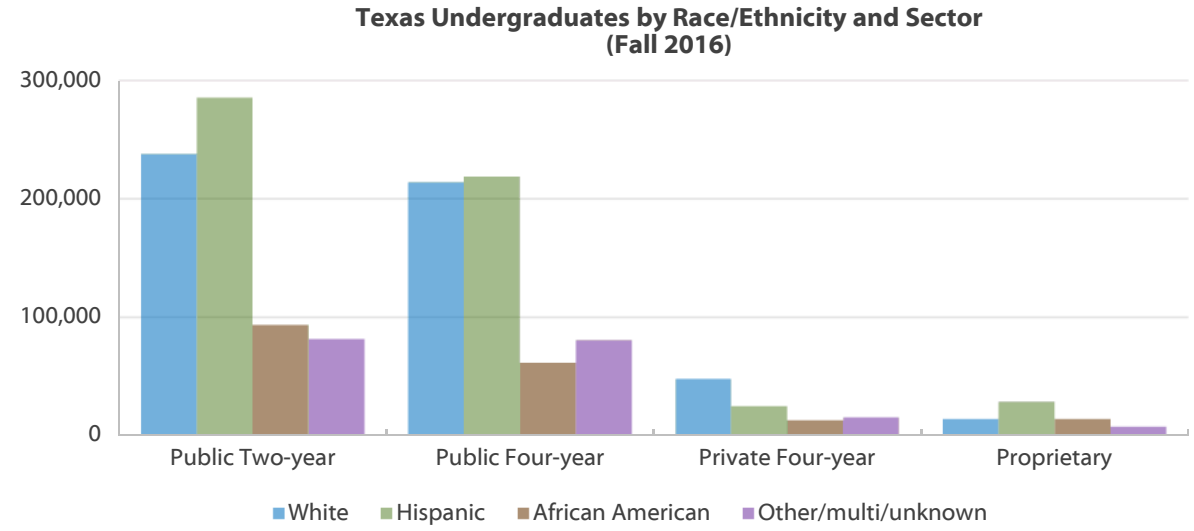
Part-time enrollment is more common in Texas than in the nation as a whole. As of fall 2016 about 53 percent of undergraduates in Texas were classified as full-time students. Full-time attendance is most common at private four-year universities, followed closely by proprietary colleges, then public four-year universities. At public two-year colleges, the largest sector by enrollments, less than a third of students attend full-time. Reasons for part-time enrollment vary but may pertain to financial concerns, like having limited funds for school expenses, trying to avoid student loans, or working more to provide for oneself and/or family. For several reasons, students who attend part-time are more likely to drop out of school.

Note: Institutions report their enrollment data to the Department of Education. The data are compiled but not de-duplicated at a student level, therefore some students may be concurrently enrolled at multiple institutions which may increase the proportion of students enrolled part-time.

Sources: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/); Fall 2015: Texas Higher Education Coordinating Board (THECB) 2016 higher Education Almanac Institutional Comparison Sheets (http://www.thecb.state.tx.us/index.cfm?objectid=A44B548A-E50C-8417-E09BF83FC11EA1EF).

Most Undergraduates in Texas Attend Two-year Institutions



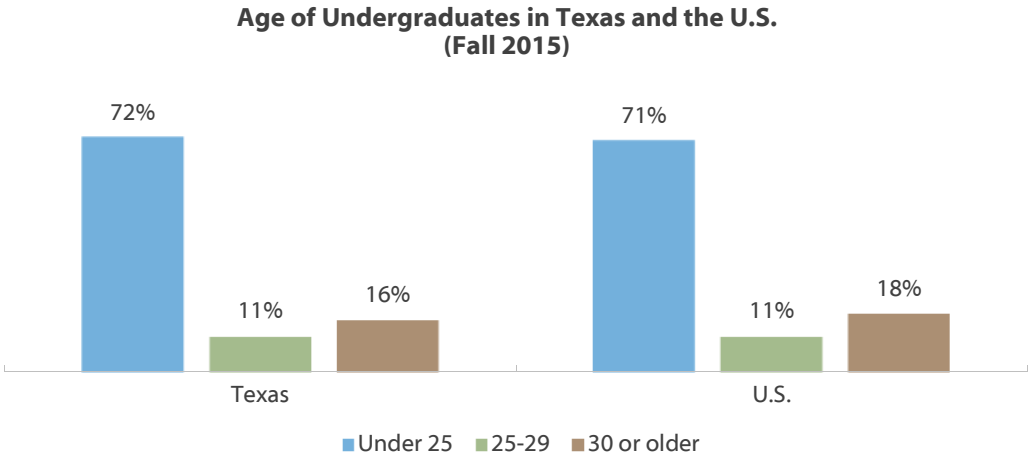


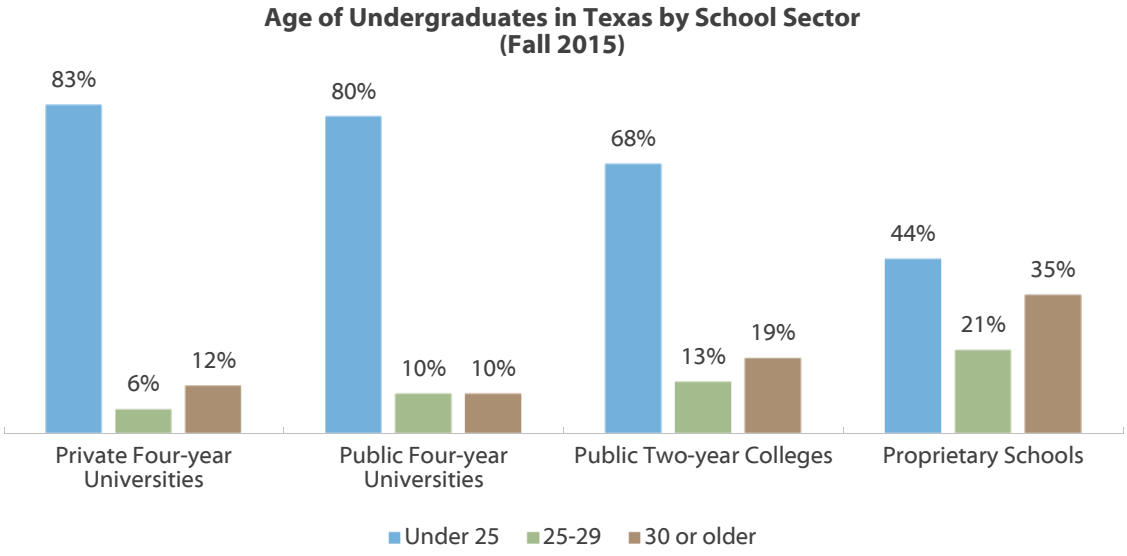
Across all races/ethnicities, the number of undergraduates at public two-year institutions in Texas exceeds the number at public four-year institutions and far exceeds the number at private institutions. In fact, 79 percent of all freshmen attending Texas public institutions of higher education in fall 2017 were enrolled at two-year colleges, and only 21 percent were enrolled at four-year universities.

Texas colleges and universities are exceptionally diverse. White students represent about a third or less at three of the sectors and just under half of students in the private four-year sector.

Sources: Enrollment by classification: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Accountability System Interactive Reports, Enrollment Statewide by Institution Type and Classification (http://www.txhigheredaccountability.org/AcctPublic/InteractiveReport/Accountability). Enrollment by race (fall 2016): U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/).

Over 25 Percent of Undergraduates in Texas Are Age 25 or Older



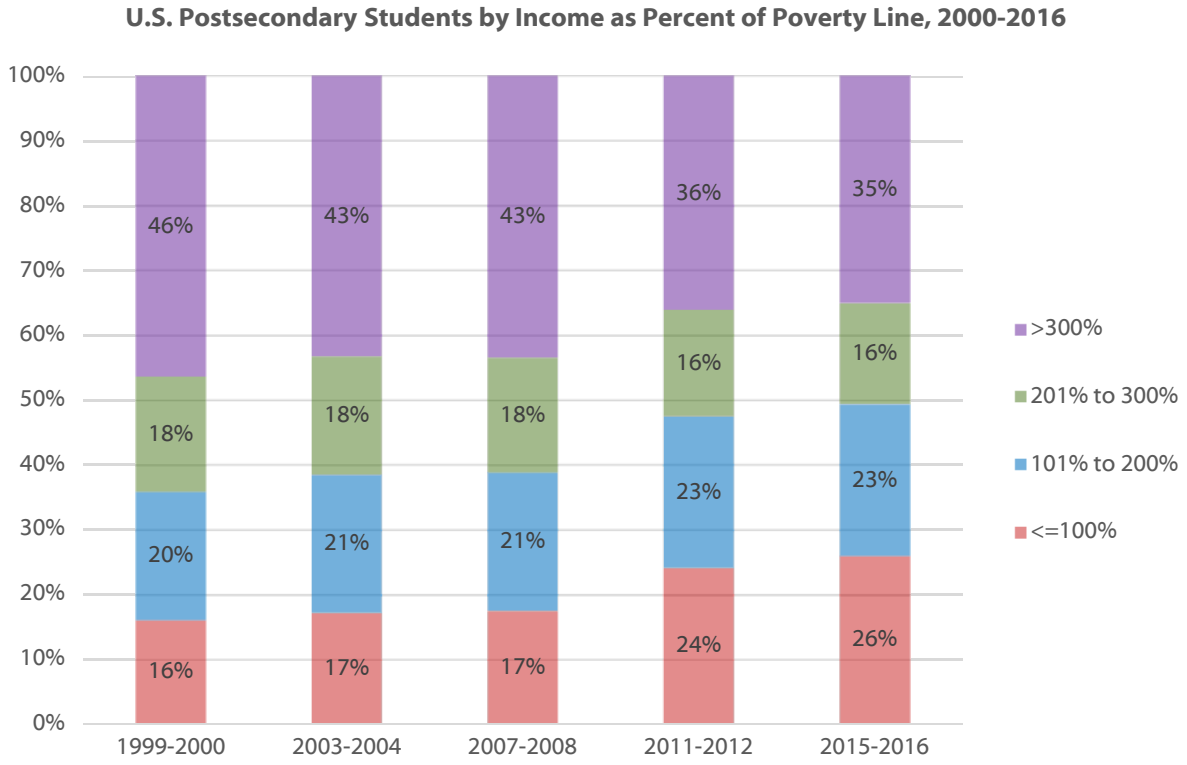


Of all Texas undergraduates in fall 2015, 72 percent were under age 25, 11 percent were between age 25 and 29, and 16 percent were age 30 or older. In the U.S. as a whole, older undergraduates are only marginally less common, with 71 percent of fall 2015 undergraduates under the age of 25, 11 percent between age 25 and 29, and 18 percent age 30 or older.

About four in five undergraduates at public four-year universities and eight out of ten at private four-year universities are under the age of 25. At public two-year colleges, 68 percent of students are under age 25. Proprietary schools and public two-year colleges have higher percentages of older undergraduates. About 35 percent of undergraduates at proprietary schools and 19 percent of undergraduates at public two-year colleges are age 30 or older.

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/).

Postsecondary Students by Income as Percent of Poverty Line



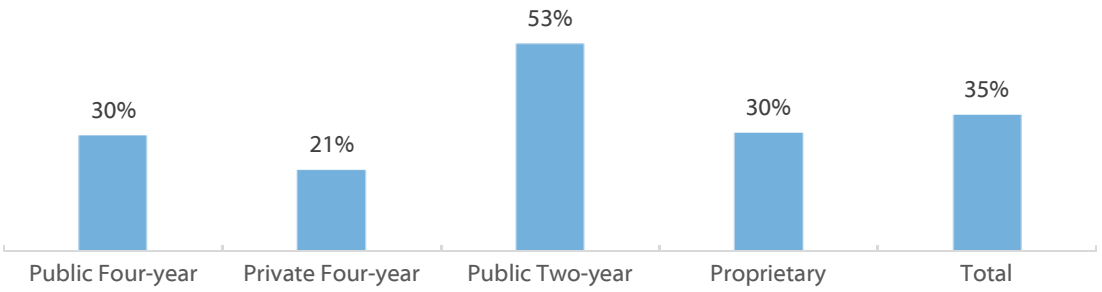
In the 1999-2000 academic year (AY), almost half of college students had a family income of at least 300 percent of the poverty level in that timeframe. By AY 2015-2016, only about a third of college students were in that income category, while those at or below the poverty level increased from 16 percent in AY 1999-2000 to 26 percent in AY 2015-2016.

Federal U.S. Department of Health and Human Services poverty guidelines were used along with family size and income to determine the percent. For dependent students, the family size and income of their parents are used. For independent students, the family size and income of that student is used. Students in Alaska and Hawaii had their rates calculated using different, state-specific, poverty guidelines.

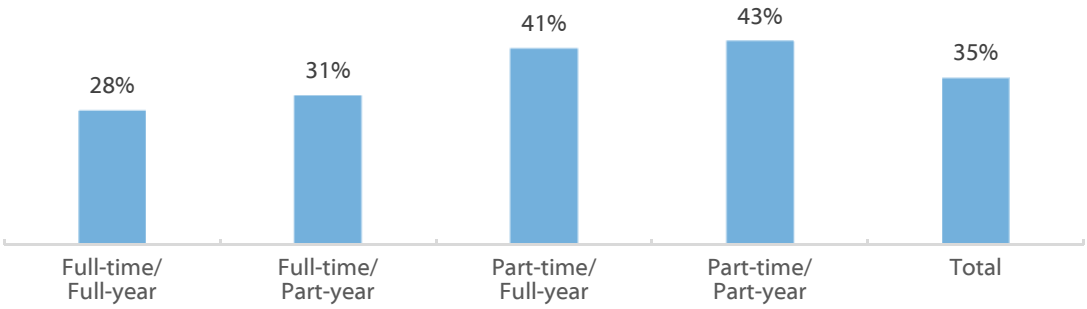
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (http://www.nces.ed.gov/das), survey years 2000, 2004, 2008, 2012, and 2016.

Over Half of Community College Students in the U.S. Had Taken Developmental Education Courses During College

Percentage of U.S. Students Who Ever Took Developmental Education Courses, by Sector (AY 2015-2016)



Percentage of U.S. Students Who Ever Took Developmental Education Courses, by Attendance Intensity (AY 2015-2016)



About a third of all undergraduates in the U.S. who graduated in academic year (AY) 2015-2016 had taken at least one developmental education course while in college. This varied somewhat by sector, with about 21 percent of private four-year undergraduates and more than half of students at public two-year institutions having been through developmental education.

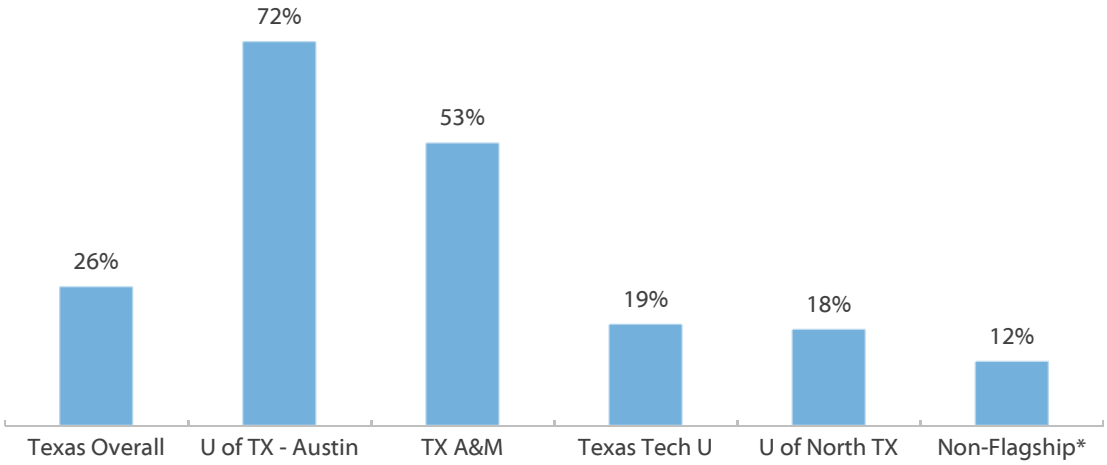
Students who attended full time all through their postsecondary education were the least likely to take developmental education courses compared to students with other attendance intensity patterns. As the attendance pattern shifts away from full time attendance, students are more likely to have taken at least one developmental education course in college.

Students who take developmental education courses are less likely to graduate than their peers. In the Texas public four-year sector, students who did not take developmental education courses had double the graduate rate of their developmental education peers six years after entering higher education. The same pattern is seen in the public two-year sector with the non-developmental education students graduating at nearly double the rate of developmental education students three years after entering college.

Sources: U.S. Department of Education, National Postsecondary Student Aid Study 2016 (NPSAS) (http://www.nces.ed.gov/das); Graduation Rate: Texas Higher Education Coordinating Board (THECB), Graduation and Persistence of Developmental Education Students (http://www.txhighereddata.org/index.cfm?objectId=200A40A0-E156-11E8-BB650050560100A9).

About 74 Percent of Students at Texas Public Universities Were Not in the Top 10 Percent of Their High School Class

Percentage of Top 10 Percent Admits Among First-Time Texas Public Four-Year University Students (Fall 2017)



While the majority of first-time students at two of Texas' public flagship universities – the University of Texas at Austin and Texas A&M University – are drawn from the top ten percent of Texas high school classes, the far majority of students at Texas public universities are not. Top ten percent graduates account for about 26 percent of all first-time Texas public university students and only about 12 percent* of first-time students at the non-flagship universities, which account for about 71 percent of all Texas public university undergraduates.

As of fall 2017, 26 percent of first-time public university students were top ten percent admits. Three out of 33** non-flagship public universities exceeded this proportion: the University of Houston at 30 percent, University of Texas at Dallas at 30 percent, and University of Texas at Arlington at 27 percent. Two others exceeded 20 percent: the University of Texas at the Permian Basin (22%) and Texas A&M International University (22%).

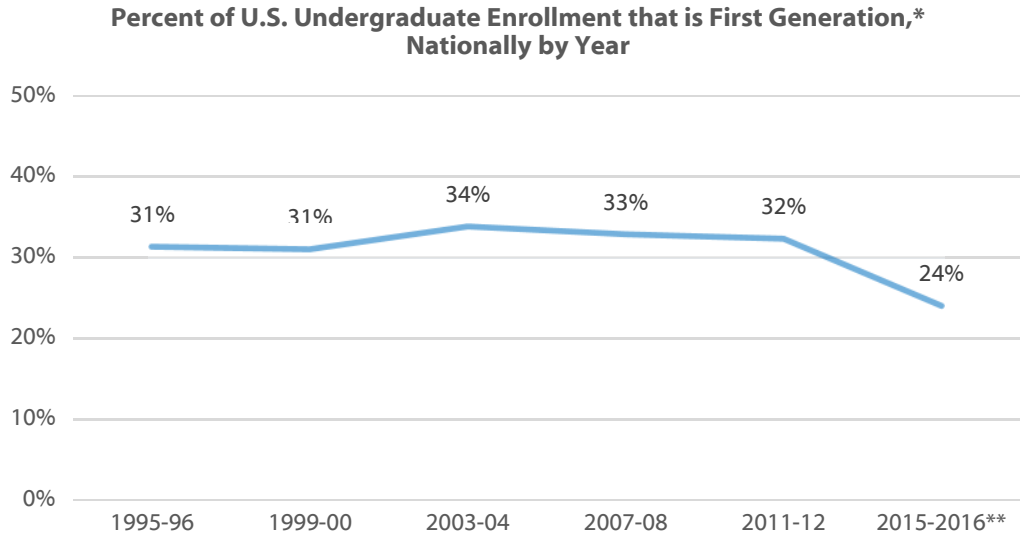
Eleven public universities had first-time classes whose share of top ten percent enrollment was less than ten percent.

*Estimate based on applying the percentage of top ten percent graduates among first-time students to the number of enrolled freshmen-level students.

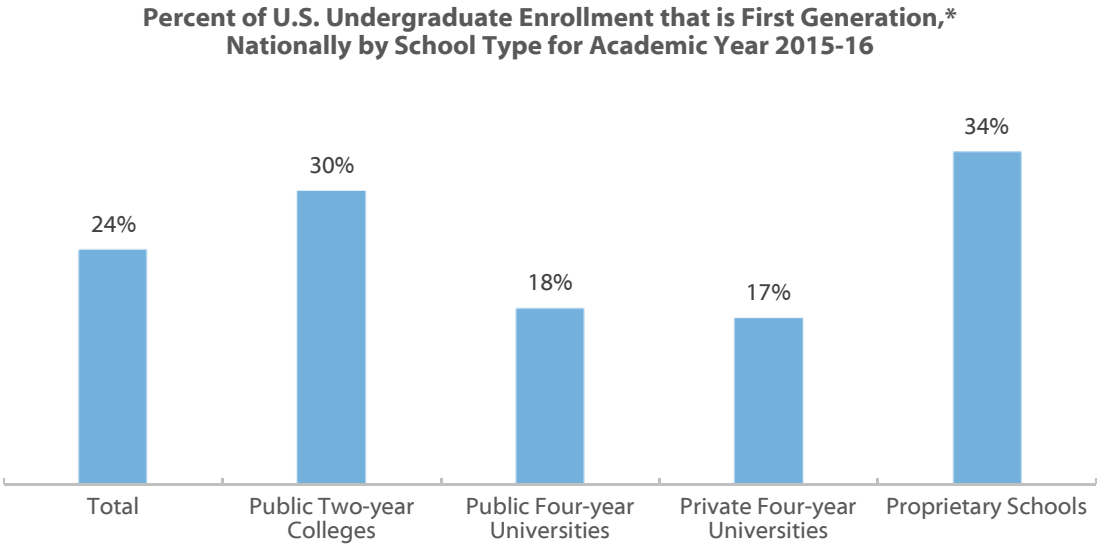
**This is the number of non-flagship public universities for which the THECB had data on the percentage of top 10 percent enrollments. There are 37 Texas public universities in total.

Sources: Texas Higher Education Coordinating Board (THECB) 2018 Higher Education Almanac Institutional Comparison Sheets ((http://www.thecb.state.tx.us/index.cfm?objectid=629F37F0-861F-11E8-AE230050560100A9).

First-Generation Students' Proportion of Undergraduate Enrollments Declining



The proportion of U.S. students who are the first in their families to attend college has declined sharply since 2011-12. While first generation students are highly represented in all school sectors, the largest concentration appear at proprietary schools and public two-year colleges.



* First generation for this purpose is defined as students who have parents with the highest level of education attained by either one as high school or below. This does not include those with parents who attended some college or those who are unsure of their parents' educational levels.

**A change was made for the 2015-2016 survey that expanded the definition of parent to include step-parents or other adult guardians.

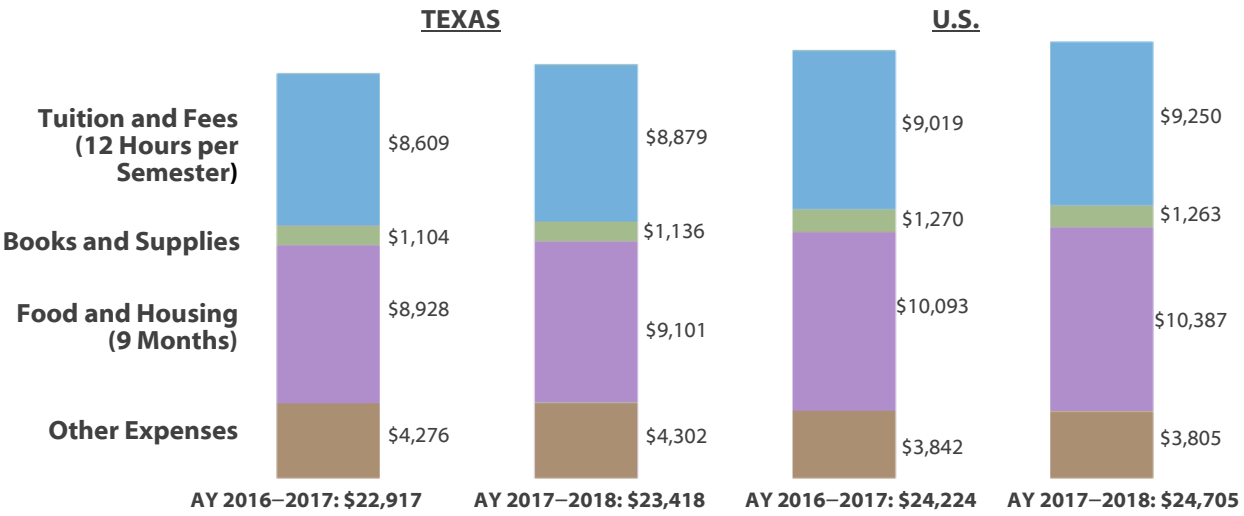
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (http://www.nces.ed.gov/das), survey years 1996, 2000, 2004, 2008, 2012, and 2016.

SECTION 4

Cost of Education and Sources of Aid in Texas

Texas Public Four-year University Cost of Attendance Below National Average

Weighted Average Public Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2016–2017 and AY 2017–2018)



The tuition and fees charged to students, along with living expenses, books and supplies, transportation, and other expenses, constitute a school's cost of attendance. From 2017 to 2018, total costs increased by $501 in Texas and $481 nationally. Weighted for enrollment,* two semesters of full-time** undergraduate education at a Texas public four-year university averaged $23,418 in Award Year (AY) 2017–2018. This amount was $1,287 less than the national average. Total expenses in Texas have been below the national average for many years. With the exception of the "other expenses" category, all types of costs in Texas are lower than their corresponding national averages. The primary expenses facing students are not tuition and fees but food and housing, which make up nearly 40 percent of the cost of attendance. These costs are not discretionary: students must eat, and unless they live with parents — and 78 percent of U.S. public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise about 57 percent of the student budget, while tuition and fees make up 38 percent.

Cost of attendance is the starting point for determining financial aid. From the cost of attendance, the student's expected family contribution (EFC)*** is subtracted to calculate the student's financial need. Once financial need is determined, an aid package, consisting primarily of grants and loans, can be developed. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment patterns. To cut costs, many students enroll part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

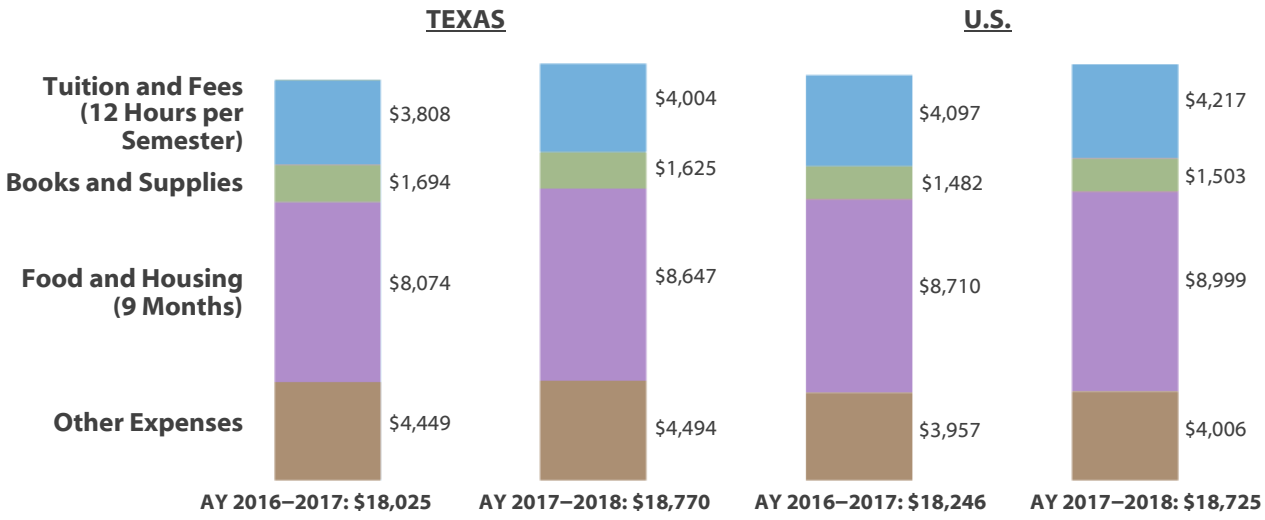
** 12 semester hours or more.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 18 percent of dependent undergraduates enrolled at public four-year universities nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (http://nces.ed.gov/ipeds/); All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (http://www.nces.ed.gov/das).

Texas Public Two-year Colleges Cost More Than National Average

Weighted Average Public Two-year College Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2016–2017 and AY 2017–2018)



Forty-nine percent of all Texas postsecondary students were enrolled in public two-year colleges in Award Year (AY) 2016-2017. The cost for two full-time* semesters at Texas public two-year colleges, weighted for enrollment,** averaged $18,770 in AY 2017–2018. This is an increase of $745 over the Texas average in AY 2016–2017 and is $45 more than the AY 2017–2018 national average. Costs in all categories have increased in Texas and nationally since AY 2016–2017, with the largest increases occurring in the food and housing category in Texas.

The total cost of attendance for a student includes tuition and fees, books and supplies, and living expenses. The student's financial need is calculated by subtracting the expected family contribution (EFC)*** from the cost of attendance, which is the basis for determining the financial aid package. This package consists primarily of grants and loans. The actual amount that students pay for college depends upon factors such as how much and what type of aid they receive, how frugally they live, and the number of credit hours they take. To save money, students may enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

* 12 semester hours or more.

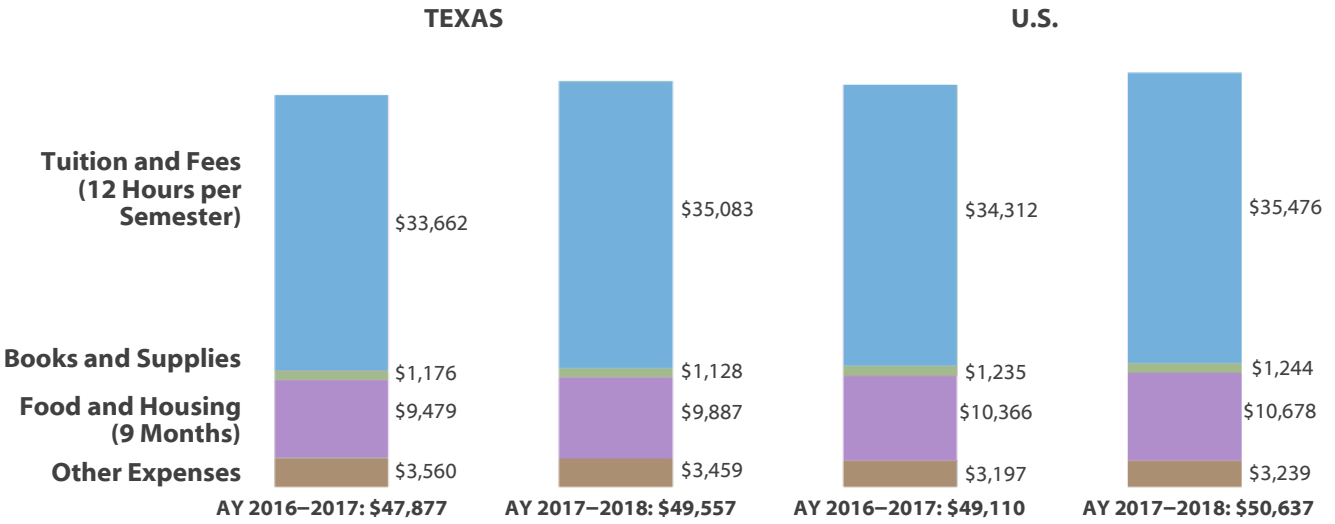
** An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 29 percent of dependent undergraduates enrolled in public two-year colleges nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (http://nces.ed.gov/ipeds/); All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Costs at Texas Private Four-year Universities Still Less Than National Average

Weighted Average Private Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2016–2017 and AY 2017–2018)



The increase from Award Year (AY) 2016–2017 to AY 2017–2018 of the average cost of attendance at private four-year universities in Texas, at $1,680, was due almost entirely to an average $1,421 increase in tuition and fees. Weighted for enrollment,* the total cost of attendance for undergraduates at Texas private four-year universities for two full-time** semesters averaged $49,557 in AY 2017–2018. This is lower than the national cost of attendance for the same year, at $50,637. The difference is mainly because tuition and fees in Texas are $393 lower than the national average and food and housing costs in Texas are $791 lower than the national average. Approximately seven percent of students in higher education in Texas in AY 2016–2017 enrolled in private four-year universities, versus 39 percent who enrolled in public four-year universities.

As with public institutions, students who enroll in private four-year universities may receive an aid package, which primarily consists of grants and loans. A student's need is calculated by subtracting the expected family contribution (EFC)*** from the cost of attendance in order to determine what kind of financial aid package they should receive. The total cost of attendance includes tuition and fees, books and supplies, and living expenses. To save money, students may choose to enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without a degree.

* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 12 semester hours or more.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 17 percent of dependent undergraduates enrolled at private four-year universities nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (http://nces.ed.gov/ipeds/); All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

The Cost of Going to College Continues to Rise Each Year

Change in Costs for Students Living Off Campus: Dollar and Percentage Change (AY 2016–2017 to AY 2017–2018, Costs Weighted for Enrollment*)

Texas	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	$270	3%	$196	5%	$1,421	4%
Books and Supplies	$32	3%	-$69	-4%	-$48	-4%
Food and Housing	$173	2%	$573	7%	$408	4%
Other	$26	1%	$45	1%	-$101	-3%
Total Change	**$501**	**2%**	**$745**	**4%**	**$1,680**	**4%**

U.S.	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	$231	3%	$120	3%	$1,164	3%
Books and Supplies	-$7	-1%	$21	1%	$9	1%
Food and Housing	$294	3%	$289	3%	$312	3%
Other	-$37	-1%	$49	1%	$42	1%
Total Change	**$481**	**2%**	**$479**	**3%**	**$1,527**	**3%**

Weighted for enrollment,* the total cost of attendance in all sectors in Texas and nationally increased between two and four percent between Award Year (AY) 2016–2017 and AY 2017–2018. By percentage, Texas had roughly equivalent or larger increases in all sectors compared to the nation.

The cost of attendance is the starting point for determining financial aid. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment and work patterns. To cut costs, many students enroll part time, work long hours, or both. In AY 2015–2016, 56 percent of all undergraduates nationwide attended less than full time/full year — that is, they either took fewer than 12 hours per semester or did not attend at least two semesters — and 79 percent worked while enrolled (36 percent of which worked full time**). Full-time work and part-time enrollment are associated with each other and also with lower completion rates: 63 percent of U.S. undergraduates who work full time while enrolled attend less than full time/full year, slowing their academic progress.

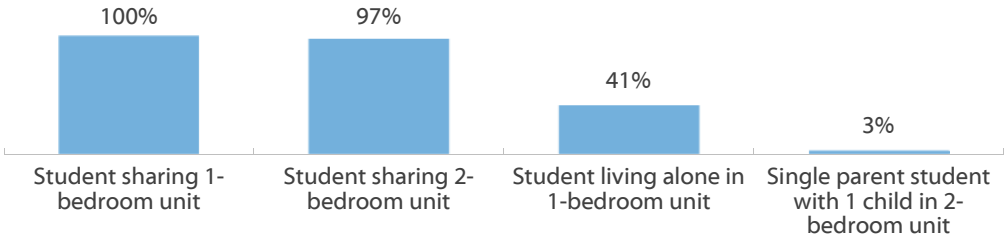
* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 35 or more hours per week; includes work-study/assistantship.

Sources: All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (http://nces.ed.gov/ipeds/); All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (http://nces.ed.gov/ipeds/); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Food and Housing Cost Estimates at Most Texas Institutions Cover Students Who Live With Roommates

Percentage of Texas Public Universities Where the Institution's Room and Board Estimate Covers the USDA/HUD Food and Housing Cost Estimate, by Living Situation (AY 2017–2018)



Food and housing make up nearly 40 percent of the cost of attending a public university in Texas. These costs are variable, but they are not discretionary. Students have some control over their lifestyle choice, but they must eat and pay rent. As the food and housing cost estimate is the largest single component of the official cost of attendance at both community colleges and public universities, it has critical implications for the types and amounts of financial aid that students are offered and the amounts institutions expect that students/families can afford to pay.

Using their knowledge of housing located in areas popular with students, Texas universities attempt to estimate the cost of food and housing that is modest but adequate. For the 2017–2018 Award Year (AY), this average estimate is $8,968,* or $996 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on $268 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting $268 from $996 leaves $728 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to $310,** leaving $686 for rent and utilities.

The U.S. Department of Housing and Urban Development (HUD) estimates the average nine-month cost of rent and utilities for a one-bedroom unit in the counties and Metropolitan Statistical Areas (MSAs)*** where Texas public universities are located to be $6,972, or $775 per month. Sharing housing lowers the cost: a shared one-bedroom costs $387 per person and a shared two-bedroom costs $479.

These data suggest that a thrifty student who is a savvy grocery buyer, cooks nearly all his meals, and shares housing should stay within the institutional room and board estimate of $996 per month. However, a student who shares all these traits and lives alone will probably not be able to stay within the estimate at about half of Texas universities. At 97 percent of Texas universities, the room and board estimate is too low for a single parent with a dependent. About 12 percent of U.S. undergraduates in AY 2015–2016 had dependent children, and about 7 percent were single parents.

Average USDA/HUD Food and Housing Costs for Two Semesters (9 Months) for Counties and MSAs* Where Texas Public Universities Are Located (AY 2017–2018)**

	Student sharing 1-bedroom unit	Student sharing 2-bedroom unit	Student living alone in 1-bedroom unit	Single parent student with 1 child in 2-bedroom unit
Food	$2,414	$2,414	$2,414	$3,623
Housing	$3,486	$4,311	$6,972	$8,622
Total	**$5,900**	**$6,725**	**$9,386**	**$12,245**

*$9,101 when weighted for enrollment; see glossary for clarification. ** Based on the cost at Conan's Pizza near the University of Texas at Austin, October 2018. *** A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (http://nces.ed.gov/ipeds/); U.S. Department of Agriculture. "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, June 2018." (http://www.cnpp.usda.gov/USDAFoodCost-Home.htm); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2018 for Existing Housing, October 2018," (http://www.huduser.org/datasets/fmr.html); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

One-third of U.S. Institutions of Higher Education Underestimate Living Costs by More Than $3,000

The Wisconsin HOPE Lab conducted a study of institutional living cost allowances and found that in 2013, about one-third of institutional living cost allowances nationwide were more than $3,000 below the estimated cost of living for the location of the institution. The estimates were based on median fair market rent for a zero bedroom (studio/efficiency) apartment by county from the U.S. Department of Housing and Urban Development, low-cost food averages based on age from the U.S. Department of Agriculture (combined with a county cost of living index to account for regional differences), transportation costs from the U.S. Bureau of Labor Statistics, state-level health care costs, and other miscellaneous costs such as personal care products.

Institutional Living Cost Allowance vs. County Cost of Living Estimate

Sector	Institutions #	Above County Estimate by $3,000+ Percent	Within $3,000 of County Estimate Percent	Below County Estimate by $3,000+ Percent
4-year or above	**2,538**	**8.3**	**60.9**	**30.8**
Public	634	9.5	71.6	18.9
Private not-for-profit	1,200	7.8	55.4	36.8
Private for-profit	704	8.1	60.6	31.3
2-year	**2,107**	**10.1**	**60.4**	**29.5**
Public	1,019	7.7	63.2	29.1
Private not-for-profit	126	15.9	53.1	31.0
Private for-profit	962	11.9	58.5	29.6
Less-than-2-year	**1,797**	**15.1**	**45.3**	**39.6**
Public	228	14.0	40.8	45.2
Private not-for-profit	66	4.5	48.5	47.0
Private for-profit	1,503	15.8	45.8	38.4
Grand Total	**6,442**	**10.8**	**56.4**	**32.8**

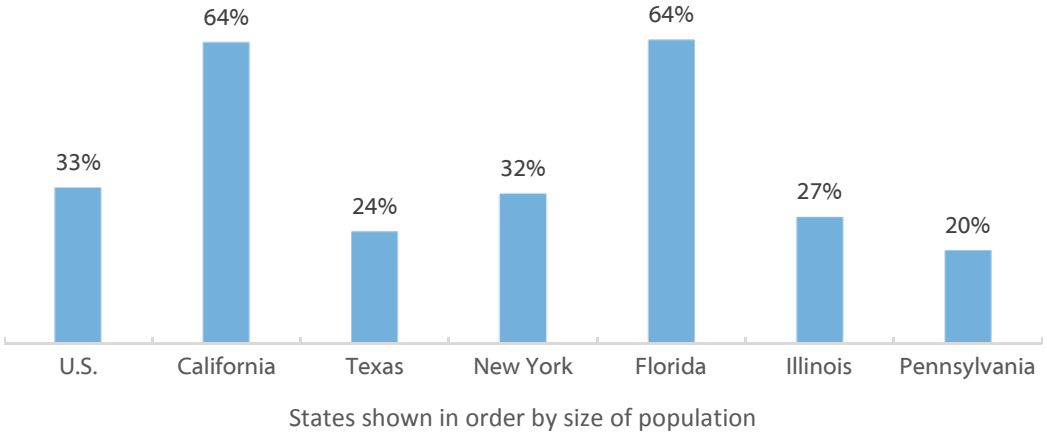
The federal definition of the cost of attendance (COA) includes tuition, fees, room and board (food, housing, transportation, and other miscellaneous costs of living), books, and supplies. The COA is important because it is part of the equation that helps determine how much financial aid students are eligible to receive in grants and loans from federal, state, and institutional sources. Federal law requires each institution to "determine an appropriate and reasonable amount" using its own method. Typically, institutions recalculate their COA annually. For direct educational costs, this is a relatively straightforward process. Determining living costs can be somewhat more complicated.

In keeping with federal law and the principal of local control, there is no regulation or standardized system for determining COA, including the living cost components. Schools use various methods to research and estimate these costs, including student surveys, interviews, and economic data. Organizations such as the National Association of Student Financial Aid Administrators and the College Board provide some guidance, but each institution has the flexibility and responsibility to reach its own estimate by its own means.

Source: Wisconsin HOPE Lab, *The Costs of College Attendance: Trends, Variation, and Accuracy in Institutional Living Cost Allowances*, by Robert Kelchen, Braden J. Hosch, and Sara Goldrick-Rab (2014) (http://www.wihopelab.com/publications/Kelchen%20Hosch%20Goldrick-Rab%202014.pdf).

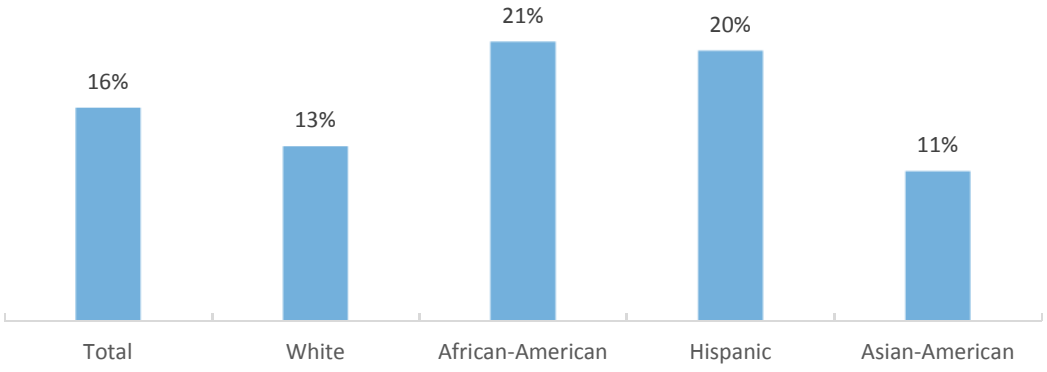
Average Tuition at Texas Public Four-year Institutions Has Increased by 24 Percent Since 2008, Lower Than For The U.S.

Percent Change in Average Tuition at Public Four-Year Colleges, Inflation Adjusted, 2008-2016



Overall, average tuition at public four-year institutions nationwide increased 33 percent between 2008 and 2016. Texas had one of the smaller increases in tuition over that time period among the top six states with a 24 percent increase.

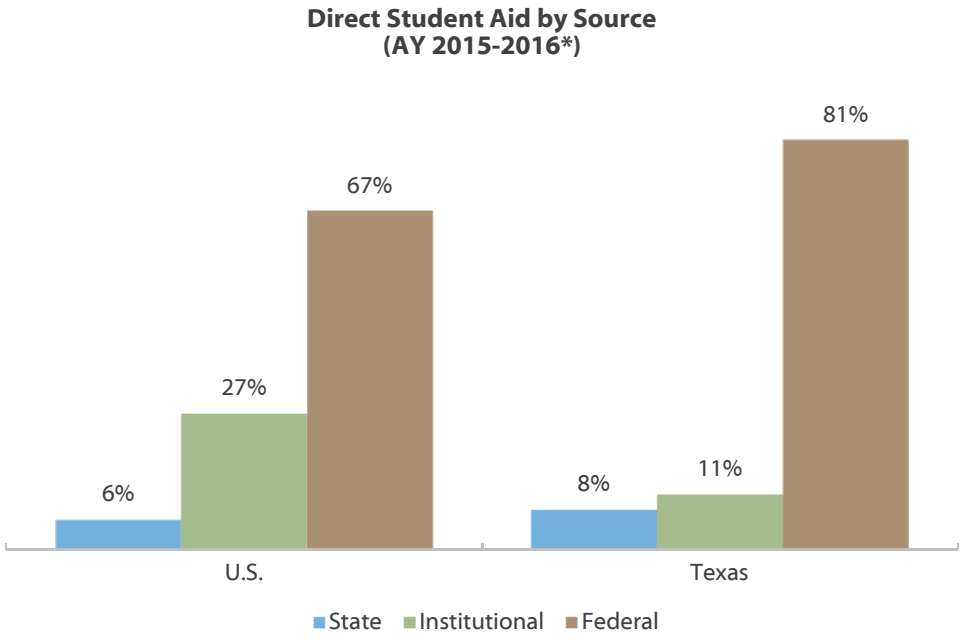
Average Tuition and Fees at a Texas Public Four-Year University as a Percentage of Texas Median Household Income, by Race (2017)



Average tuition and fees at Texas public four-year universities make up about 16 percent of the median Texas household income, but this varies by race. Tuition and fees made up about 11 percent of the median income of Asian-American students and 13 percent of White students, but 20 percent and 21 percent of Hispanic students and African-American students, respectively.

Source: Center on Budget and Policy Priorities, Funding Down, Tuition Up: State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges, August 2016 (https://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up).

Texas Highly Dependent on Federal Government for Student Aid



College students receive financial aid mainly from three major sources: the federal government, the state government, and the colleges and universities they attend ("institutional" aid). Of these three, the federal government's contribution is by far the largest for most students. Nationally, the federal government provided 67 percent of the generally available direct financial aid* for undergraduate and graduate students in Award Year (AY) 2015–2016. In Texas, the federal government's role is much larger, accounting for 81 percent of aid.

The Texas state government and state governments on average across the U.S. provided a similar percentage of the available aid to students in AY 2015–2016**, at eight percent and six percent respectively.

Texas colleges and universities, through institutional grants,*** provided a much smaller percentage of financial aid than colleges in other states. Texas institutions provided 11 percent of aid versus 27 percent for colleges nationally. This may be in part because relatively few students in Texas attend private institutions, which often charge high sticker prices but use much of the revenue to give large grants and scholarships to many students based on financial need, academic merit, and other factors.

Students may also receive tuition exemptions or waivers from their institutions. This type of aid is not included in the data in the chart due to data unavailability at the national level.

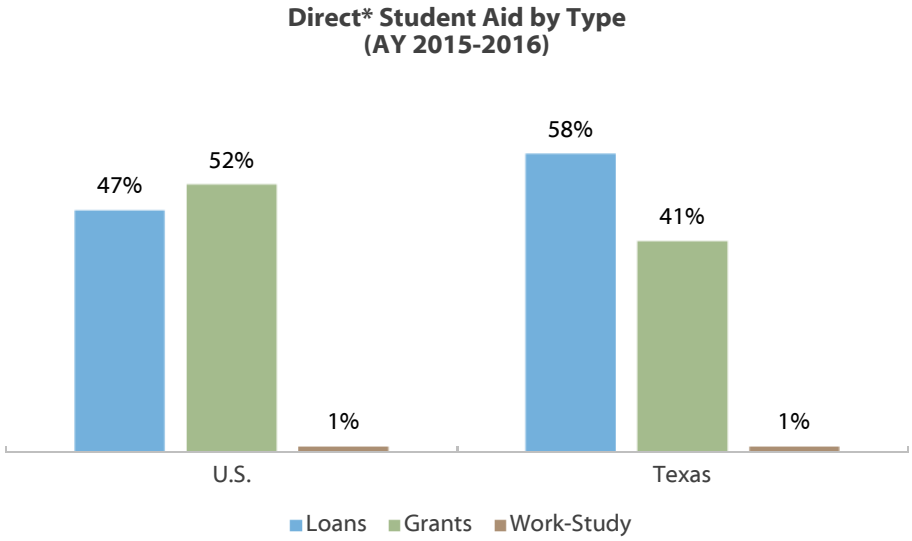
* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in graphs is for AY 2015–2016, except the private institutional aid in the Texas graph, which is for AY 2011–2012.

**The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

*** Includes the Texas Public Educational Grant (TPEG) for AY 2015–2016 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for AY 2011–2012.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2013", (http://www.icut.org/communications/publications); State aid and TPEG: Texas Higher Education Coordinating Board, "2015–16 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (http://studentaid.ed.gov/sa/data-center/); Aid in the U.S.: The College Board. *Trends in Student Aid 2017* (http://trends.collegeboard.org/).

Texas Students Highly Dependent on Loans



Compared to national averages, Texas college students have relied and continue to rely even more heavily on loans. In AY 2015–2016, 58 percent of aid in Texas came from loans and 41 percent came from grants, including state and institutional grants.* Nationally, 47 percent of aid was in the form of loans and 52 percent came from grants. Most student loans in Texas and nationwide are Federal Direct loans.

One percent of student aid in Texas and nationally comes from work-study dollars. The Federal Work-Study Program provides part-time jobs to students with financial need. Whether on campus or off campus, the program encourages employment related to the student's course of study whenever possible.

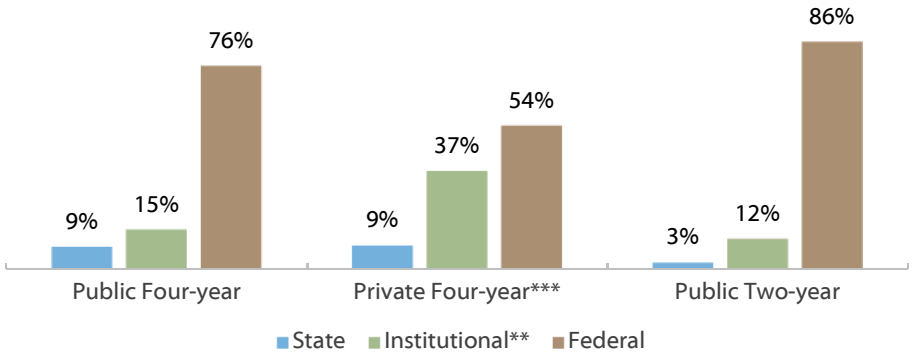
Students may also receive tuition exemptions or waivers from their institutions. This type of aid is not included in the data in the chart due to data unavailability at the national level.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFELP and FDLP loans), plus institutional grants. All aid shown is for AY 2015–2016, except the private institutional aid in the Texas graph is for AY 2011–2012.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2013", (http://www.icut.org/communications/publications); State aid and TPEG: Texas Higher Education Coordinating Board, "2015–16 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (http://studentaid.ed.gov/sa/data-center/); Aid in the U.S.: The College Board. *Trends in Student Aid 2017* (http://trends.collegeboard.org

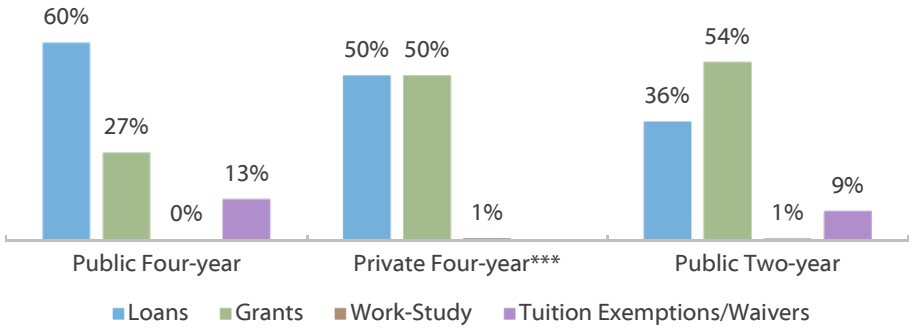
Texas Public Four-year Students Are Most Heavily Dependent on Federal Student Loans

Direct Student Aid by Source in Texas, by Sector (AY 2015-2016*)



Students enrolled in the Texas public two-year sector are the most dependent on the federal government for their financial aid, followed closely by students in the public four-year sector. Students in the public four-year sector receive more state support, proportionally, than those in the two-year sector.

Direct Student Aid by Type in Texas, by Sector (AY 2015-2016*)



Direct student aid in the private four-year sector in Texas is split almost evenly between loans and grants. The student aid in the public two-year sector is more likely to be grants than loans (in large part because the federal Pell grant covers most if not all tuition/fee costs for many students), while the opposite is true for the public four-year sector. In all sectors, work-study aid encompasses less than one percent of total student aid.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFELP and FDLP loans), plus institutional grants. All aid shown is for AY 2015–2016, except the private institutional aid in the Texas graph is for AY 2011–2012. Comparable aid data for the private for-profit (proprietary) sector is unavailable.

** Tuition exemptions and waivers are included in institutional aid for the public sectors.

*** Data on tuition exemptions and waivers is only available for the public four-year and public two-year sectors.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2013", (http://www.icut.org/communications/publications); State aid and TPEG: Texas Higher Education Coordinating Board, "2015–16 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (http://studentaid.ed.gov/sa/data-center/); Exemption/Waiver Data: Texas Higher Education Coordinating Board, "Report on Student Financial Aid in Texas Higher Education, Fiscal Year 2016" (http://www.thecb.state.tx.us/reports/PDF/10152.PDF?CFID=91323546&CFTOKEN=23302236).

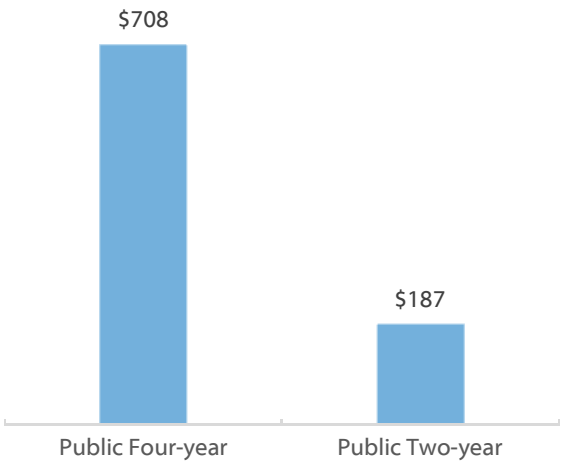
Students at Public Institutions in Texas Benefited from $895 Million in Exemptions and Waivers

There are 30 mandatory tuition exemption and waiver programs in Texas that public institutions are required to offer to eligible students. Another 24 optional exemption and waiver programs are available to institutions. Students who are eligible for an exemption or waiver will see their billing adjusted accordingly, and the school will absorb the waived or exempted portion of expenses as foregone revenue. The programs may have financial need and/or merit components for initial eligibility as well as for continuing awards.

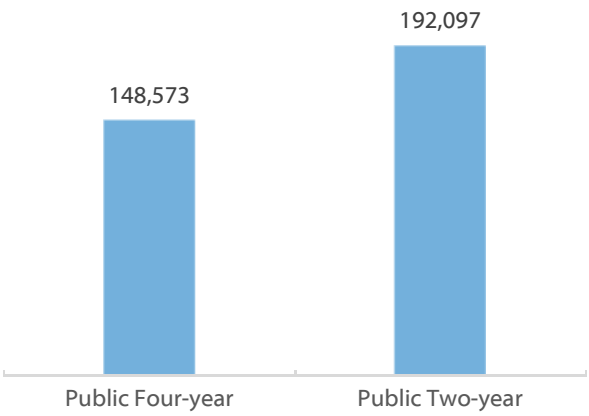
The largest exemption program in fiscal year (FY) 2017 was the Hazlewood Exemption, a mandatory exemption program for veterans and their families, followed by exemptions for high school students enrolled in dual credit programs. The largest waiver programs were for merit-based scholarships for students and mandatory waivers for teaching or research assistants.

Although a higher number of students at community colleges benefited from exemption and waiver programs compared to university students, the proportion of dollars exempted or waived was much higher among university students than community college students due to higher tuition costs at universities.

FY 2017 Total Exemptions and Waivers Dollars, in Millions

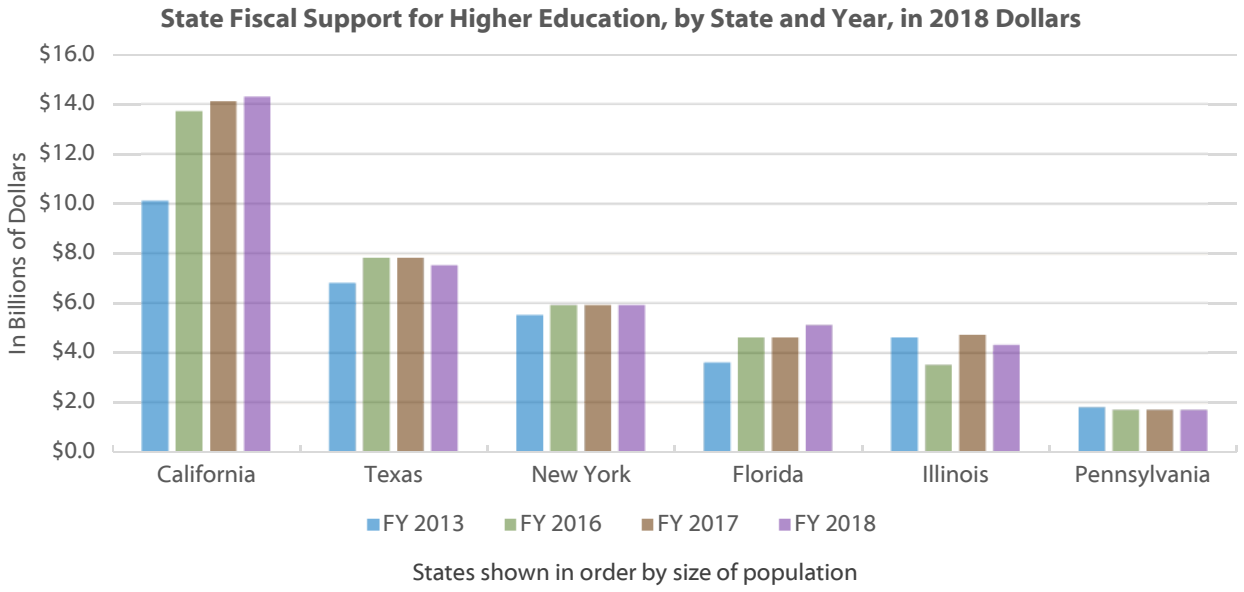


FY 2017 Number of Recipients of Exemptions and Waivers

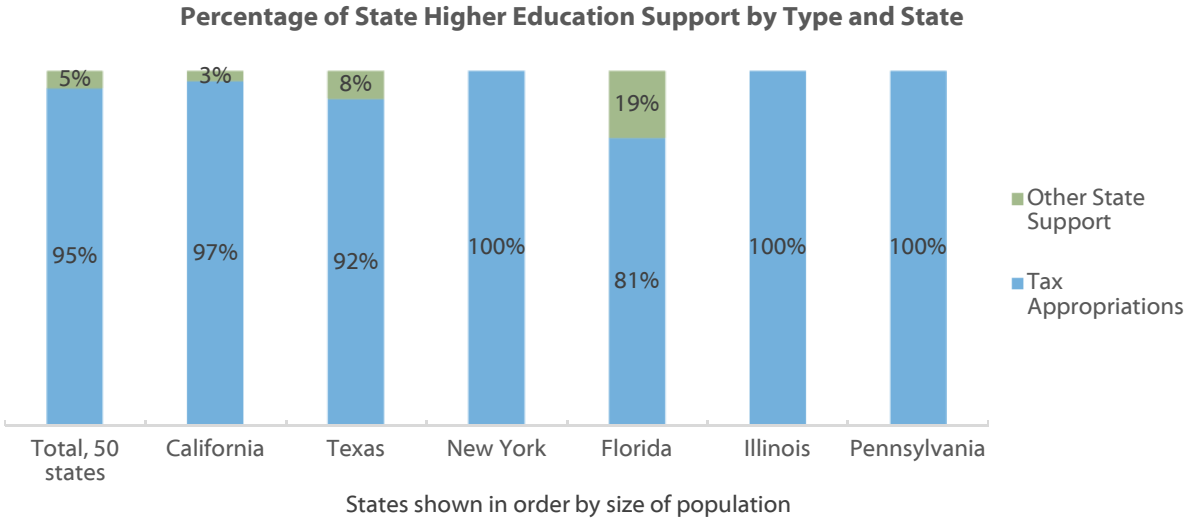


Source: Texas Higher Education Coordinating Board (THECB), Report on Student Financial Aid in Texas Higher Education, Fiscal Year 2017 (http://www.thecb.state.tx.us/reports/PDF/11713.PDF?CFID=87853513&CFTOKEN=86349658).

States Have Increased Support for Higher Education Over the Past Five Years



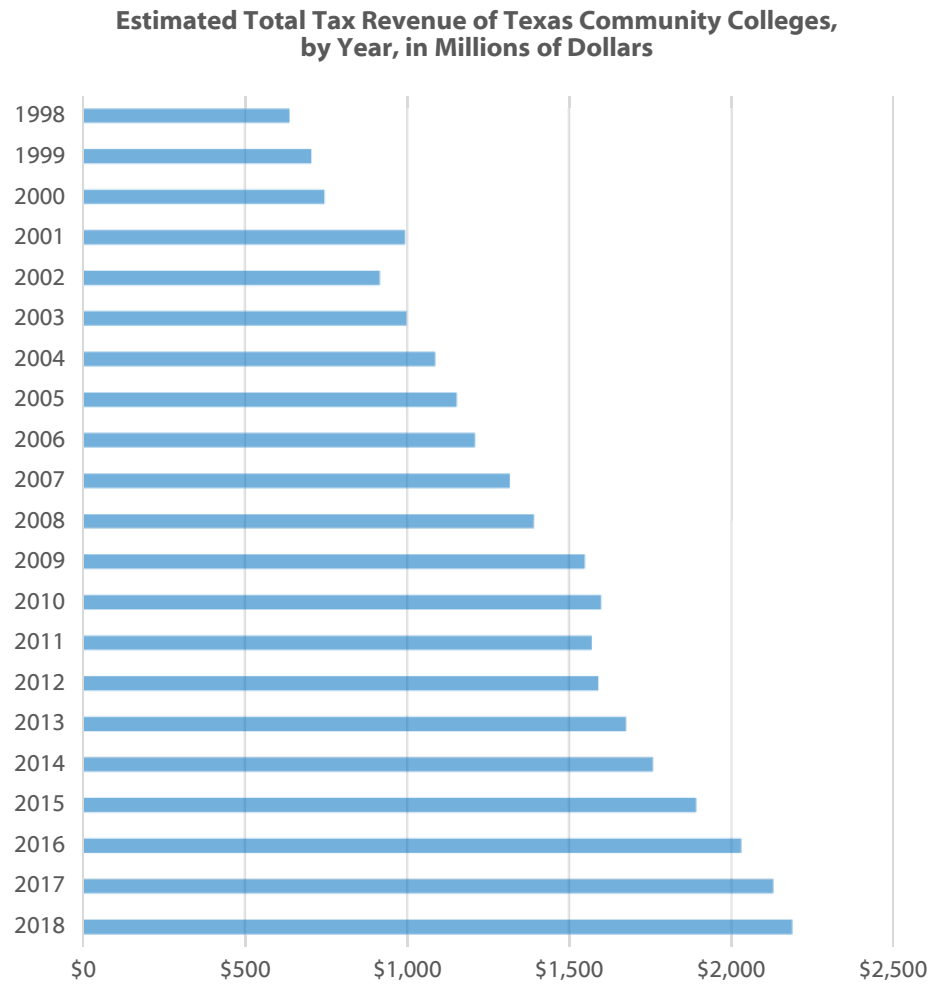
Nationally, state support for higher education has increased by about 12 percent over the past five years, from $78.7 billion in fiscal year (FY) 2013 (inflation adjusted to 2018 dollars) to $88.2 billion in FY 2018. Several of the most populous states also saw large increases like this over that same time period, including a 10 percent increase in Texas. Despite this increase since FY 2013, Texas saw a four percent decrease in state support from FY 2017 to FY 2018.



Most states allocate additional state support to higher education beyond tax appropriations. Sources for the additional state support are numerous and could include things like lottery monies, oil/mineral extraction fees on certain land, and interest on state-funded endowments. Three of the six most populous states did not provide additional state support outside of tax appropriations. About eight percent of state support for higher education in Texas comes from sources other than tax appropriations, similar to the national average of five percent.

Source: Illinois State University College of Education, Grapevine survey on state fiscal support for higher education, 2018 (https://education.illinoisstate.edu/grapevine/).

Community College Total Tax Revenue Has Increased Over Time

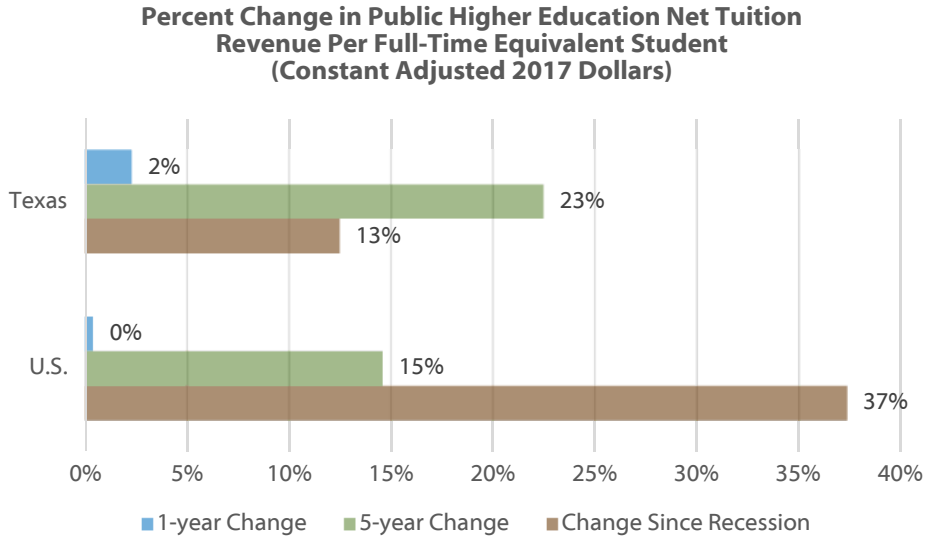


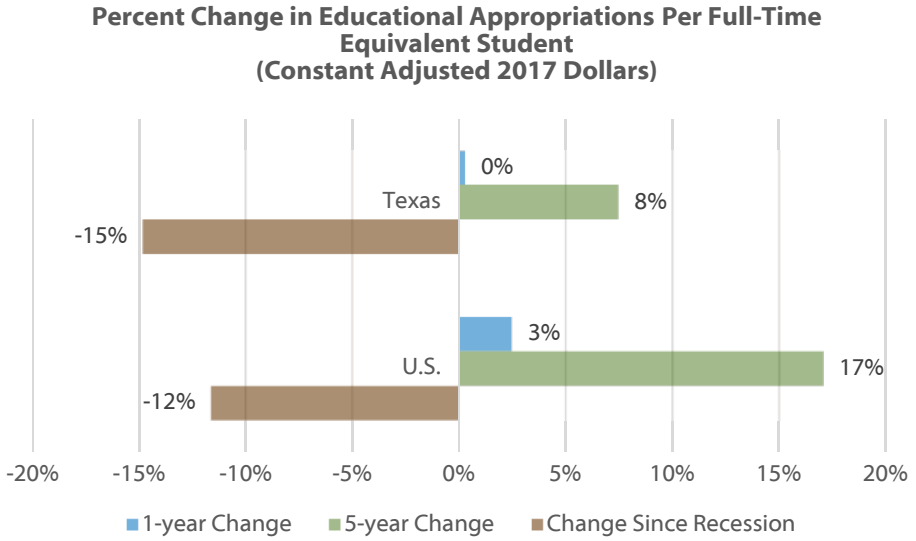
The estimated total tax revenue for all community colleges in Texas was just under $2.2 billion in 2018. The total tax revenue has increased nearly every year over the past two decades, making up an increasing share of overall community college revenue.

Note: Some community college districts have a mandatory tax rate freeze for certain citizens. The above figures are estimates based on projected tax rates and district valuation, not the actual amount collected by the district.

Source: Texas Association of Community Colleges (TACC), Tax & Valuation Survey Results (https://tacc.org/tacc/college-data); Texas Association of Community Colleges (TACC), Property Taxes at Texas Community Colleges, July 2017 (https://tacc.org/sites/default/files/documents/2018-08/property_tax_071717.pdf).

State Educational Appropriations Are Still Below Pre-Recession Levels

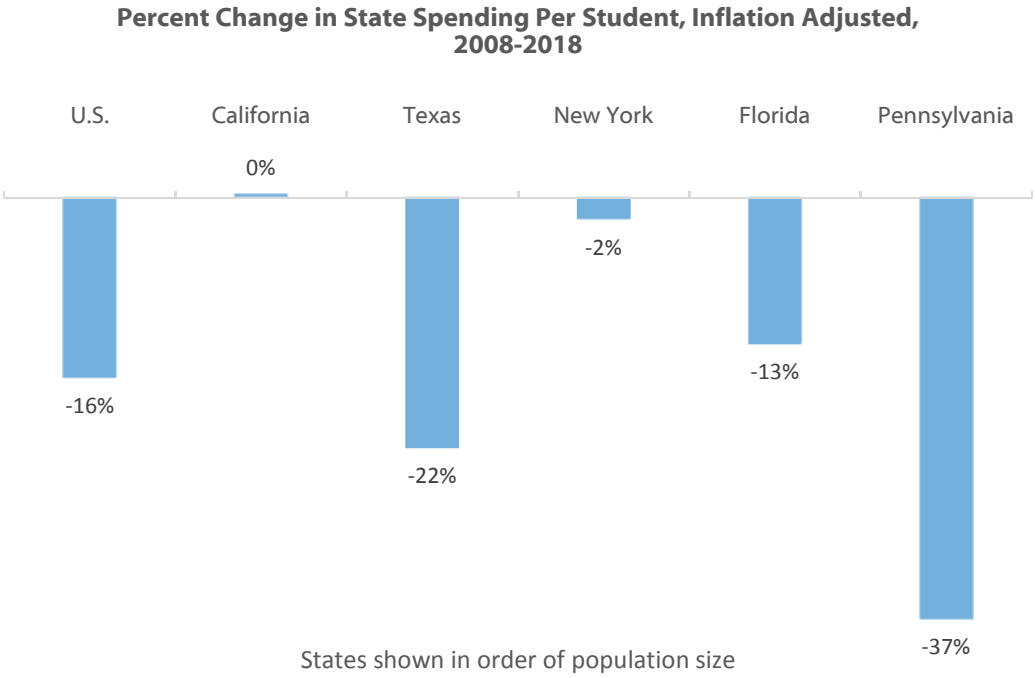




Texas and the U.S. have seen an increase in tuition revenue over since the recession, with Texas experiencing a 13 percent increase and the U.S. experiencing a 37 percent increase during that time period. Changes in enrollments, such as higher percentages of students in schools with lower or higher tuition rates, as well as changes in tuition rates may impact these percentages. Both Texas and the U.S. have seen positive changes in educational appropriations over the past five years, but both are still below pre-recession appropriation levels.

Source: State Higher Education Executive Officers Association (SHEEO), State Higher Education Finance: FY 2017 (http://www.sheeo.org/sites/default/files/SHEF_FY2017.pdf).

State Spending Per Student is 22 Percent Lower in Texas Than It Was 10 Years Ago



State spending per student has fallen nationwide by about 16 percent since 2008. Among the six largest states*, Texas had one of the largest drops in state spending per student, at 22 percent. California was one of only four states to have a positive change in state spending per student between 2008 and 2016.

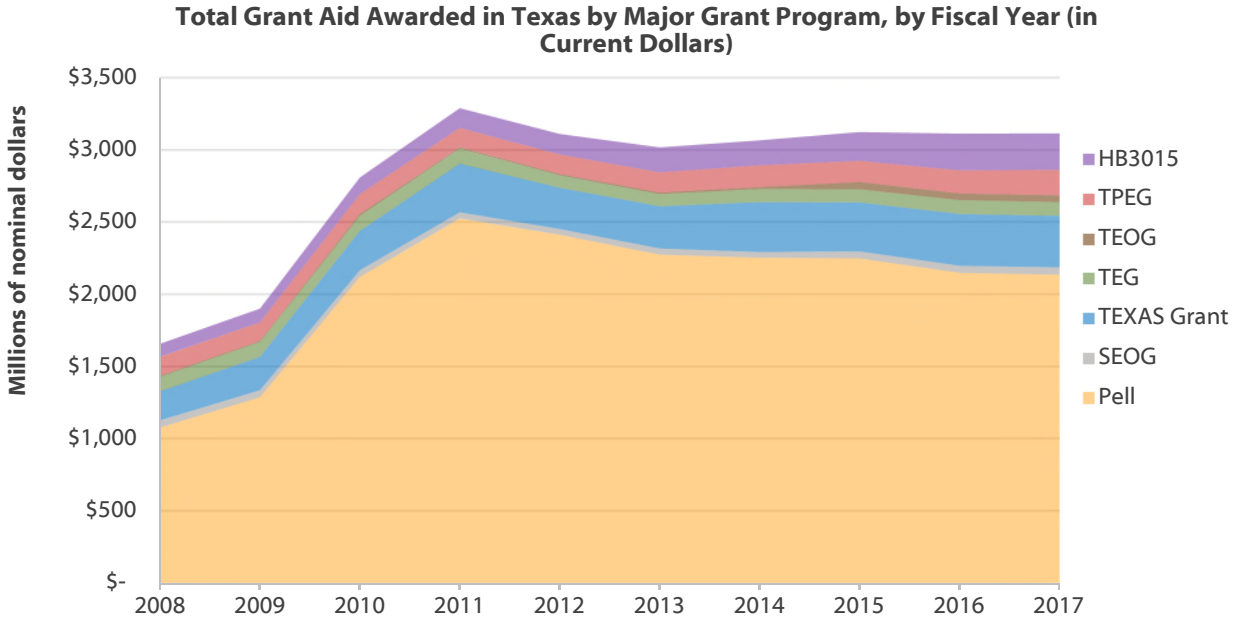
* Illinois, the fifth largest state, is not included because of the unavailability of the data needed to make valid comparisons.

Source: Center on Budget and Policy Priorities, Unkept Promises: State Cuts to Higher Education Threaten Access and Equity, October 2018 (https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and).

SECTION 5

Grant Aid and Net Price in Texas

State Grant Aid Grows While Pell, Still the Largest, Declines



*Amounts for state aid programs are reported by fiscal year, whereas Pell and SEOG are reported by award year (see Glossary)

While the federal Pell Grant Program remains by far the largest source of grant aid in Texas, the total amount disbursed to Texas students has decreased steadily over the past six years. In the 2016–2017 award year (AY), about 585,000 undergraduate students received approximately $2.13 billion in Pell grants. This was a decrease of about $390 million, or 15 percent, from AY 2010-2011, largely due to there being significantly fewer recipients (see page 35).

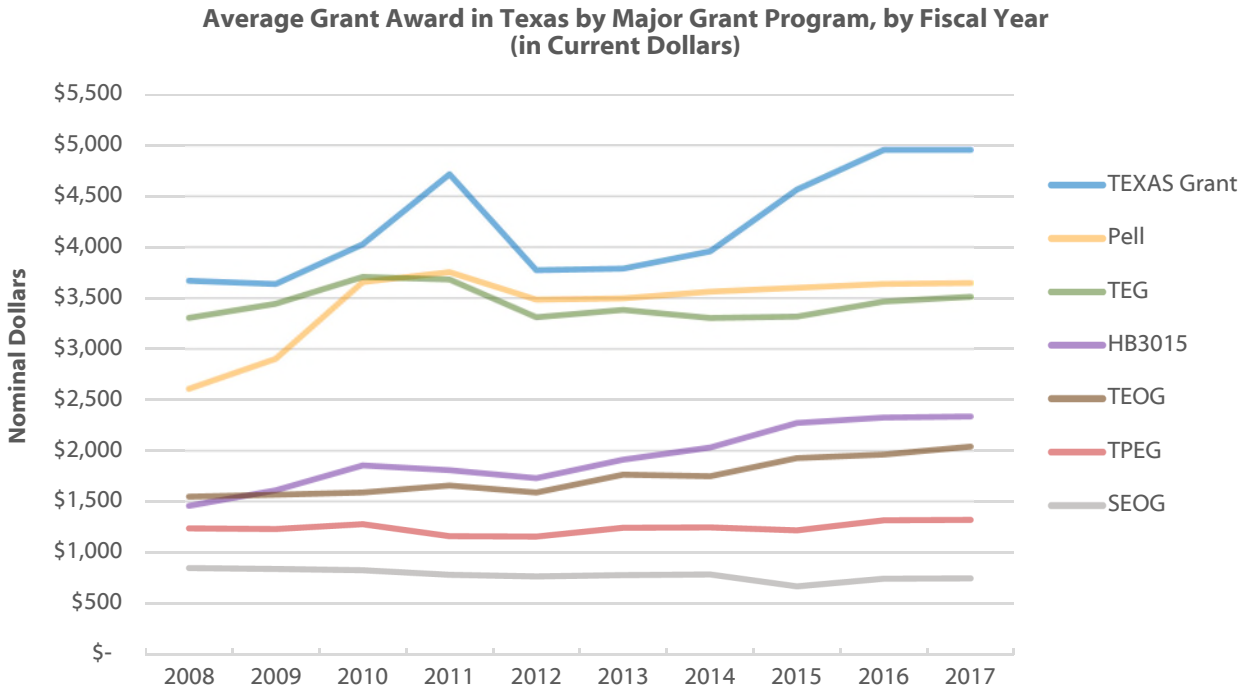
Overall, state grant aid has increased somewhat over the past six years, though it declined significantly from FY 2011 to FY 2012. The Towards EXcellence, Access, and Success (TEXAS) Grant is the largest of the state grant programs, disbursing over $357 million in FY 2016-2017. TEXAS Grants are available to students who meet a variety of financial and academic criteria, with priority consideration given to students who meet additional academic criteria and a priority filing deadline. As of Fall 2014, initial TEXAS Grants are awarded exclusively to baccalaureate students, although students in other academic programs may be eligible if they received the grant previously.

In FY 2016-2017, the Texas Educational Opportunity Grant (TEOG) – which serves financially needy students at public two-year colleges – saw a slight increase in total disbursements over the prior year. The Tuition Equalization Grant (TEG), which is available to financially needy students at private, non-profit institutions, remained fairly stable in AY 2016-2017 compared to the previous year. The Texas Public Educational Opportunity Grant (TPEG), which public colleges and universities award to financially needy students out of tuition set asides, increased by $17.5 million (11%).

Aid issued under HB 3015, which requires institutions to "set aside" at least 15 percent of all tuition charges exceeding $46 per semester credit hour (SCH) for financial aid to needy resident students, grew considerably between FY 2014-2015 and FY 2016-2017. About 108,000 resident undergraduate and graduate students received about $252 million in HB 3015 aid in FY 2016-2017, up from 72,000 receiving $165 million in FY 2014-2015. Growth in HB 3015 aid accounted for the majority of the overall growth in Texas grant aid from FY 2014-2015 to FY 2016-2017, which helped mitigate the declines in Pell.

Sources: Pell and SEOG: U.S. Department of Education, Federal Student Aid Data Center (http://studentaid.ed.gov/data-center); TX programs: Texas Higher Education Coordinating Board (THECB) Report on Student Financial Aid for Texas Higher Education [Fiscal Years 2006 to 2017] (http://www.thecb.state.tx.us/reports); THECB Financial Aid Database for Fiscal Year 2017 (special request, unpublished tables); College for All Texans (http://www.collegeforalltexans.com)

TEXAS Grant Has Highest Average Award



*Amounts for state aid programs are reported by fiscal year, whereas Pell and SEOG are reported by award year (see Glossary)

The largest average grant award in Texas in fiscal year (FY) 2016-2017 (referenced as 2017 in the chart) was for the Towards EXcellence, Access, and Success (TEXAS) Grant at $4,953, equal to the prior year. TEXAS Grants are available to students who meet a variety of financial and academic criteria, with priority consideration given to students who meet additional academic criteria and a priority filing deadline. As of Fall 2014, initial TEXAS Grants are awarded exclusively to baccalaureate students, although students in other academic programs may be eligible if they received the grant previously.

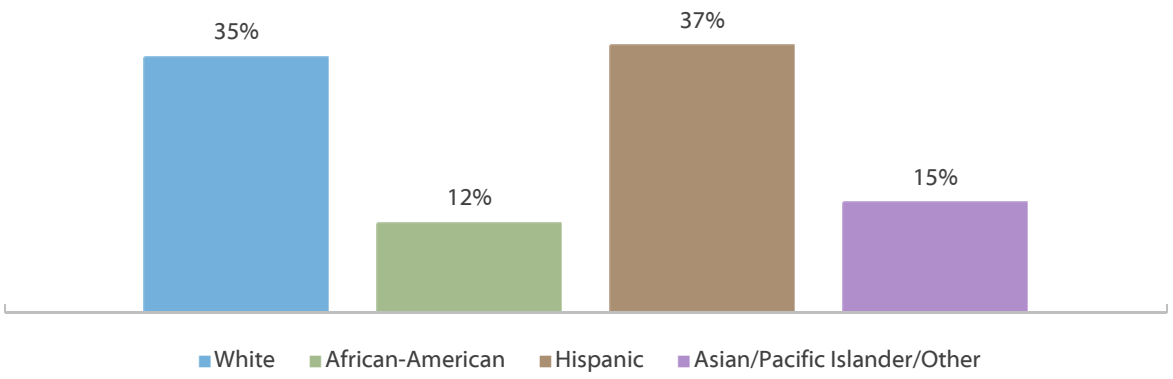
In AY 2016-2017 the average Pell grant in Texas increased by less than one percent, from $3,636 to $3,646, from the prior year, and fewer students received the grant. In AY 2016-2017, about 585,000 Texas postsecondary students received Pell grants, down about 5,000 (1 percent) from about 590,000 the prior year. The maximum Pell grant for AY 2015-2016 was $5,775 and increased to $5,920 for AY 2017-2018. This $145 increase over the last two years is based on the Student Aid and Fiscal Responsibility Act (SAFRA), which provides for automatic changes to the maximum Pell grant based on changes in the Consumer Price Index (CPI), a common measure of inflation.

Average HB 3015 grants and Texas Educational Opportunity Grants (TEOG) have increased over the past ten years, while average Texas Public Educational Opportunity Grants (TPEG) and Supplemental Educational Opportunity Grants (SEOG) have remained basically flat.

Sources: Pell and SEOG: U.S. Department of Education, Federal Student Aid Data Center (http://studentaid.ed.gov/data-center); TX programs: Texas Higher Education Coordinating Board (THECB) Report on Student Financial Aid for Texas Higher Education [Fiscal Years 2006 to 2017] (http://www.thecb.state.tx.us/reports); THECB Financial Aid Database for Fiscal Year 2017 (special request, unpublished tables); College for All Texans (http://www.collegeforalltexans.com); Maximum Pell: U.S. Department of Education, Federal Student Aid (https://studentaid.ed.gov/sa/types/grants-scholarships/pell).

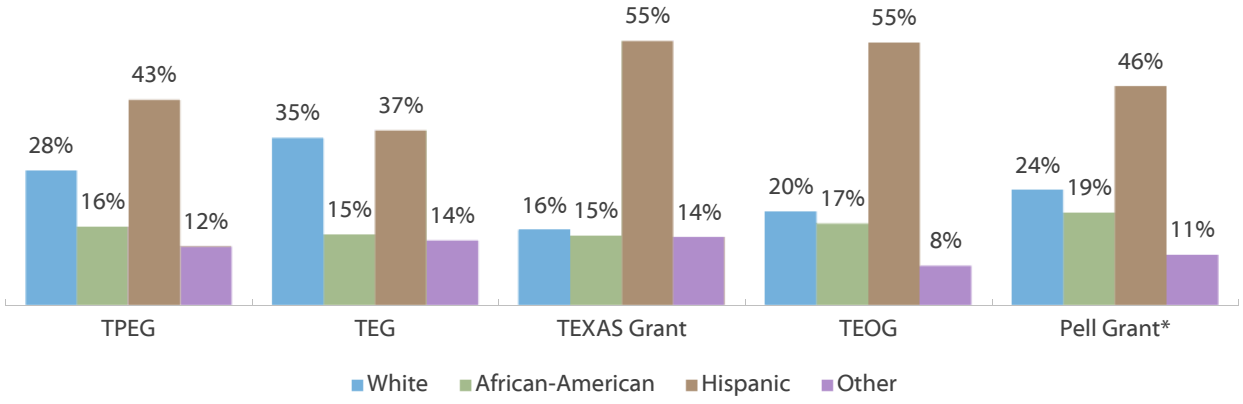
Grant Recipients in Texas Are Racially/Ethnically Diverse

Fall 2017 Enrollment in Texas Higher Education, by Ethnicity



About 72 percent of Texas Educational Opportunity Grant (TEOG) and 70 percent of Toward EXcellence, Access, and Success (TEXAS) Grant recipients are either Hispanic or African-American. The Texas Public Educational Grant (TPEG) and Tuition Equalization Grant (TEG) serve somewhat fewer Hispanic and African-American students — 59 percent and 51 percent, respectively. The percentage of TPEG and TEG recipients who are Hispanic or African-American students has risen slowly over time, likely reflecting the steadily rising proportion of these students enrolled at public and private four-year colleges and universities.

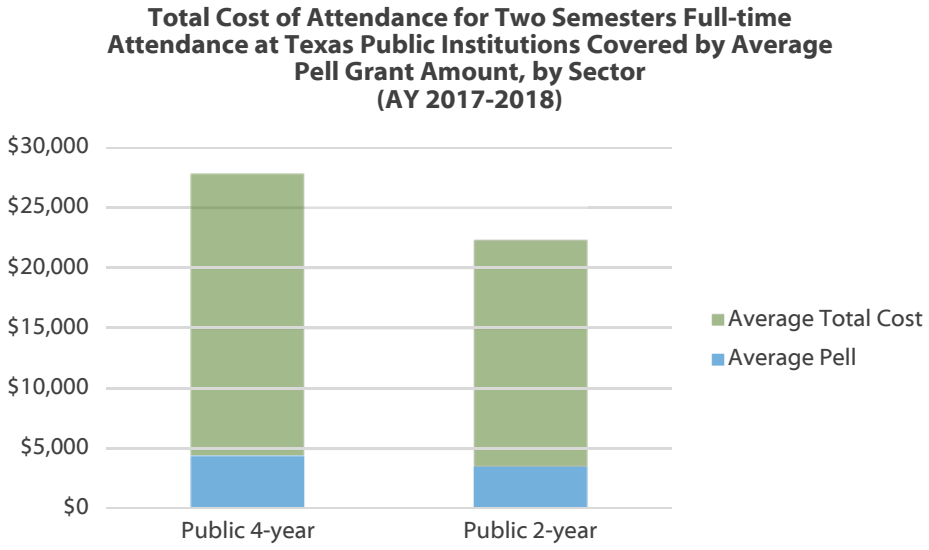
Fiscal Year 2016-2017 Grant Program Recipients by Ethnicity



*Pell grant data did not disaggregate "Asian/Pacific Islander" from "Other", so both are included in "Other".

Sources: Enrollment by ethnicity: U.S. Dept of Education, National Center for Education Statistics, IPEDS (https://nces.ed.gov/ipeds/); Texas grant programs: THECB Financial Aid Database for Fiscal Year 2017 (special request, unpublished tables).

The Federal Pell Grant Covers Less Than One-fifth of Average Public Four-year Costs

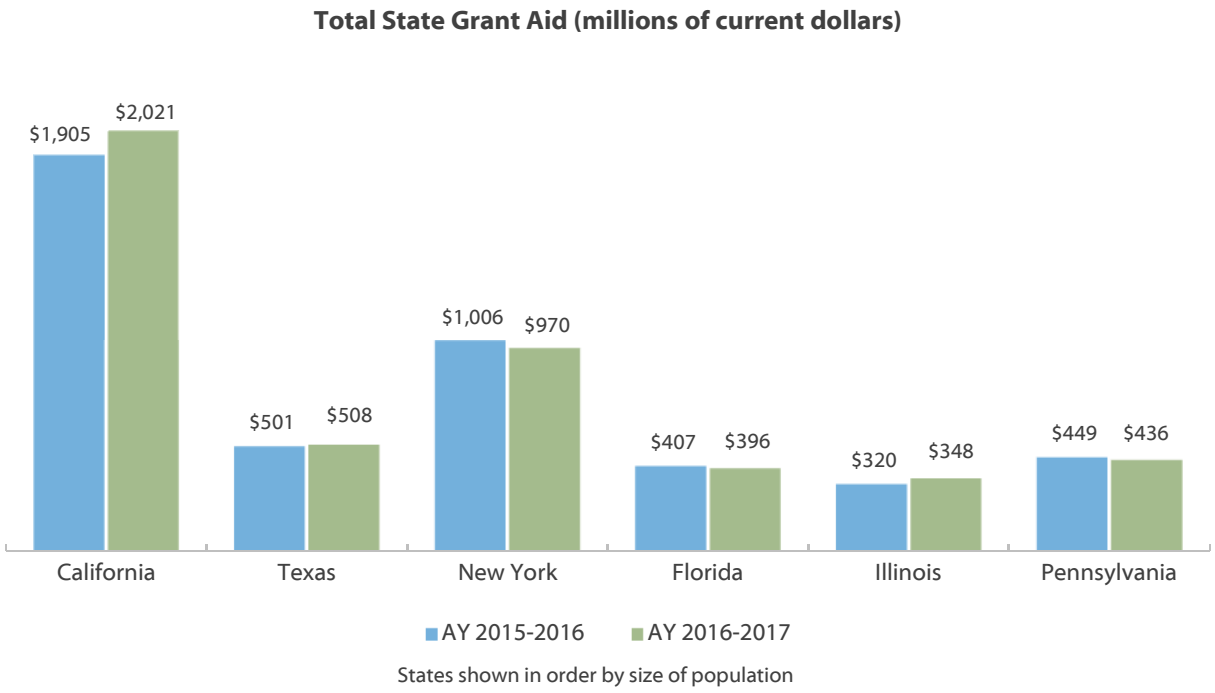


The buying power of the federal Pell Grant, the largest grant program in the U.S. and in Texas, has declined over the last three decades. Designed to be the foundation of need-based grant aid, only undergraduates with significant financial need receive the Pell grant; however, in Award Year (AY) 2017–2018, the average Pell grant in Texas covered only 19 percent of the average cost of attendance (COA; tuition, fees, room, board, and other basic expenses) for eligible undergraduates at public four-year universities in Texas, and the same percentage of the average COA at public two-year colleges in Texas. While the average Pell grant tends to increase from one year to the next, these increases generally fail to keep pace with increases in the cost of college.

The maximum Pell grant for AY 2015–2016 was $5,775 and increased to $5,920 for AY 2017-2018. This $145 increase over the last two years is based on the Student Aid and Fiscal Responsibility Act (SAFRA), which provides for automatic changes to the maximum Pell grant based on changes in the Consumer Price Index (CPI), a common measure of inflation. Pell grant awards are determined according to a schedule that takes both COA and expected family contribution (EFC) into account. Pell grants awards increase for higher COAs and lower EFCs and decrease for lower COAs and higher EFCs. There is also a set maximum EFC beyond which a student cannot qualify for a Pell grant regardless of the COA; for AY 2017-2018, the maximum eligible EFC is $5,328.

Sources: Cost of attendance: U.S. Department of Education, National Center for Education Statistics, IPEDS Data Center (Author's calculation: Total cost of full-time undergraduate attendance weighted by FTE in-state undergraduate enrollment) (http://nces.ed.gov/ipeds/datacenter/); Pell: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (http://studentaid.ed.gov/about/data-center/student/title-iv); Maximum Pell: U.S. Department of Education, Federal Student Aid (https://studentaid.ed.gov/sa/types/grants-scholarships/pell).

California and New York Top Texas in State Grants



In Award Year (AY) 1996–1997, Texas spent only $48 million in state grant aid, the lowest among the six most populous states despite having the second largest population of postsecondary students. State grant aid began to increase significantly with the establishment of the Toward EXcellence Access, and Success (TEXAS) Grant Program in 1999. In AY 2016–2017, Texas spent about $508 million on grant aid for postsecondary students, just over a quarter of what was spent by California and just over half of what was spent by New York.

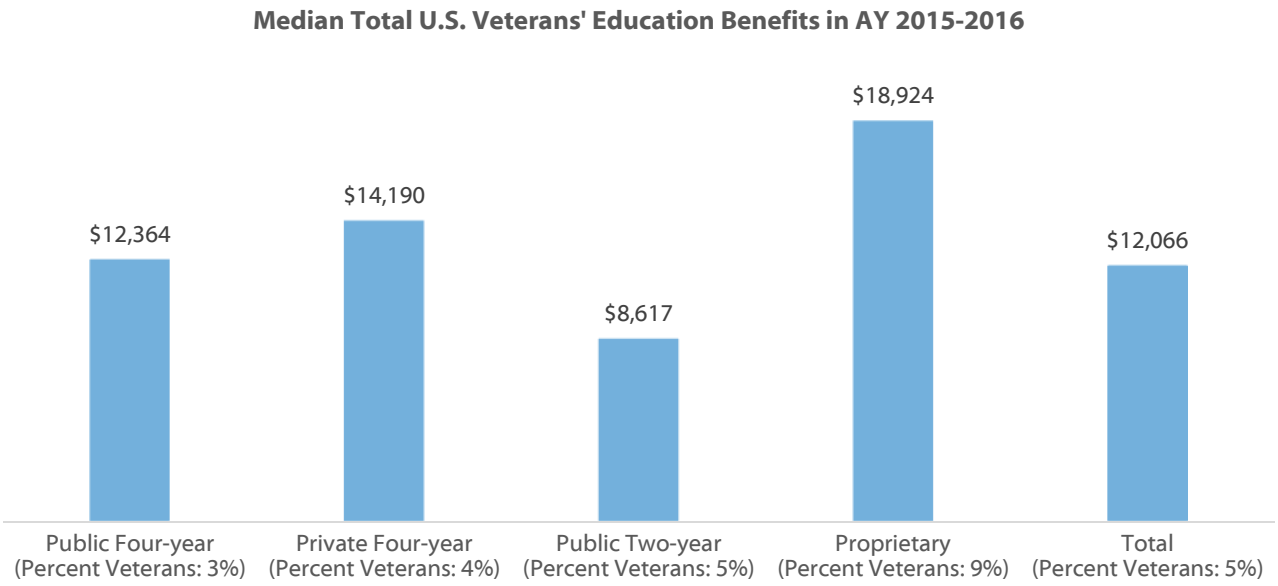
State grant aid may be based on financial need, academic merit, a combination of need and merit, or other factors, like veteran status. In Texas, all grant aid is either primarily need-based or has a need-based component. This includes aid that is funded not from legislative appropriations but from institutional revenues, such as the Texas Public Educational Grant (TPEG). This type of aid is often viewed as a form of "tuition discounting", in which higher prices paid by more affluent students allow students with more financial need to pay less. TPEG, Student Deposit Scholarships, and other such tuition set-aside programs are not included in the state grant aid totals shown above. Tuition exemptions and waivers are also not included in the totals above as they are not considered state grant aid.

Although primarily need-based, maintaining the TEXAS Grant also involves academic components. To remain eligible for the grant, the student must maintain a grade point average (GPA) of at least 2.5 on a 4.0 scale, meet Satisfactory Academic Progress (SAP) requirements, and complete at least 24 credit hours per award year.

As funds are generally inadequate to award full grants to all eligible students, initial year TEXAS Grants are awarded on a priority basis. Eligible students receive priority consideration if they meet a priority filing deadline and at least two of four conditions related to high school academic performance.

Source: TEXAS Grant shortfall: THECB, "Recommendations Relating to the Feasibility Study for Restructuring Texas Student Financial Aid Programs, November 2008" (http://www.thecb.state.tx.us/reports/PDF/1671.PDF); All other: National Association of State Student Grant and Aid Programs. 48th *Annual Survey Report on State-Sponsored Student Financial Aid.* 2017 (https://www.nassgapsurvey.com/survey_reports.aspx).

U.S. Undergraduate Veterans Received About $12,000 in Total Veterans' Education Benefits



Veterans comprised about 5 percent of all enrolled undergraduates nationwide in academic year 2015-2016 and received a median of $12,066 per person in total federal, state, and institutional veterans' education benefits* in that year.

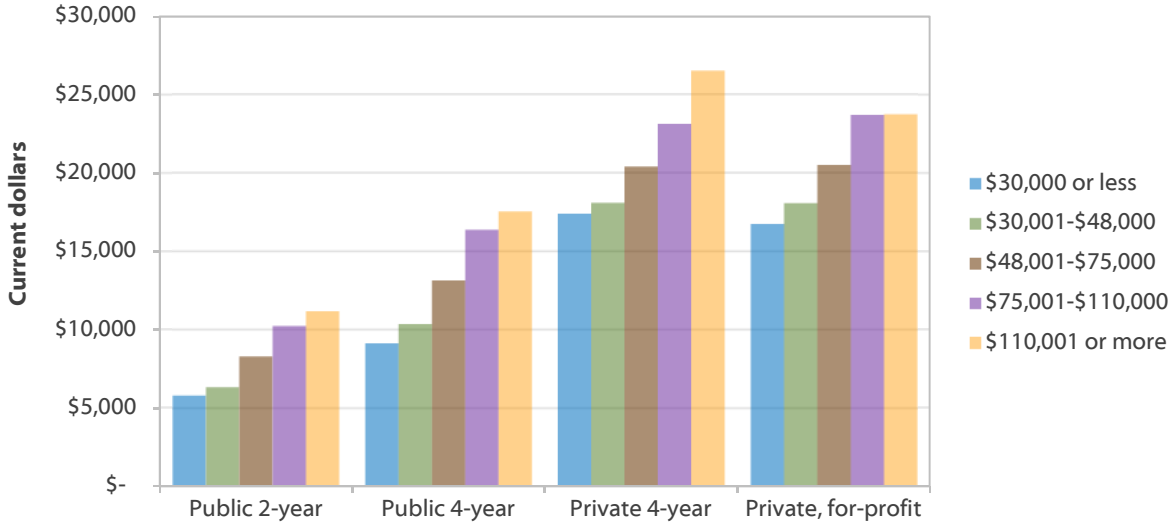
The proprietary sector had the highest proportion of veteran undergraduate students, at nine percent, and the highest median amount of benefits received, at $18,924. The median individual amount of total veterans' education benefits received was lowest at public two-year institutions, at $8,617.

*Institutional benefits include the institutional portion of the Yellow Ribbon program benefits. Federal benefits include Department of Defense military tuition grants and include payments made for tuition and fees, housing, books and supplies, work-study, and other educational expenses (as reported by the Veterans Benefits Administration).

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Net Price of Attendance for Lowest-Income Public Four-year Undergraduates in Texas Is More Than $9,100

Average Net Price for Full-time, First-time Undergraduates in Texas by Sector and Income Quintile (AY 2016-2017)



The net price of attendance for a student at an institution of higher education is defined as the student's cost of attendance* minus the total grants and scholarships he or she receives from any sources: in essence, the amount that a student (and/or family) must pay either out of pocket or with student loans. In Award Year (AY) 2016–2017, the average** net price of attendance for students with the lowest incomes*** was $5,805 (a decrease of four percent from the previous year) in the public two-year sector, $9,124 (an increase of nine percent) in the public four-year sector, $17,374 (a decrease of five percent) in the private four-year sector, and $16,724 (a decrease of 14 percent) in the for-profit sector.

Net price generally rises with income across all four sectors, which likely reflects higher-income students' tendencies to attend higher-cost institutions and pay a larger percentage of their costs out of pocket. Both of these tendencies are likely more notable in the private four-year sector due to the wider variety of prices in that sector.

* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for nine months. For public institutions, the net price reflects costs for in-state/in-district students.

**Average net prices for Texas are calculated as the weighted averages of institution-level average net price by income group, where the weight is the number of full-time, first-time degree-seeking undergraduates in the income group at the institution.

*** For dependent students, income represents the student's family income; for independent students, it represents personal income.

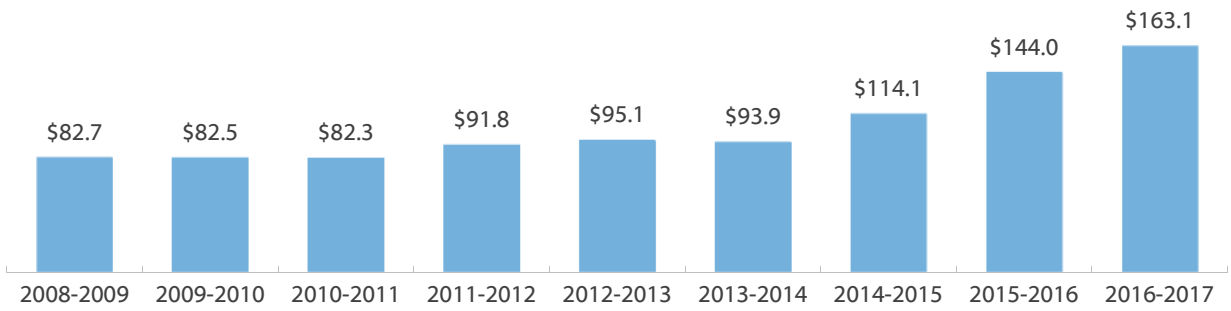
Source: U.S. Department of Education, National Center for Education Statistics, "Integrated Postsecondary Education Data System (IPEDS) 2018" (http://nces.ed.gov/ipeds/datacenter/.

SECTION 6

Loans

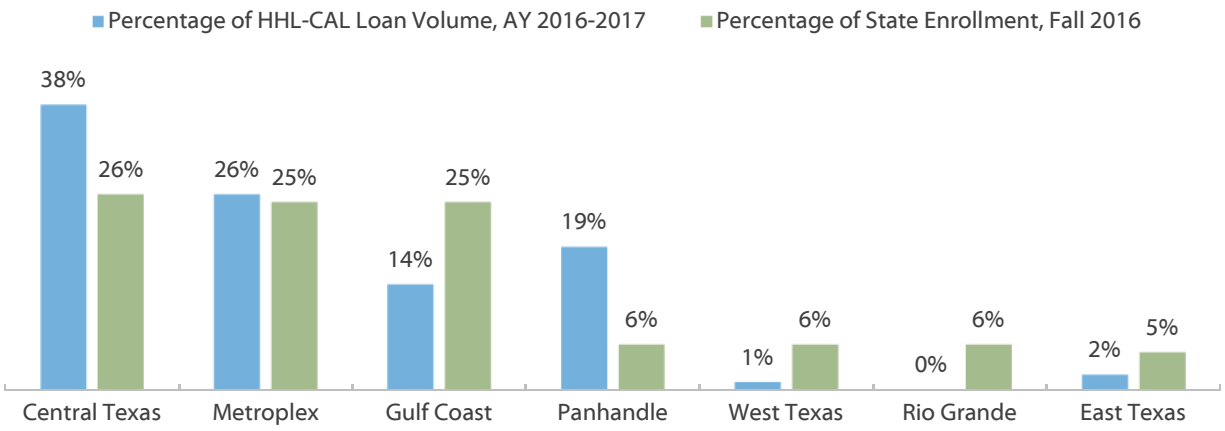
Volume for the Largest State Loan Program, HHL-CAL, Increases

HHL-CAL Loan Volume by Award Year (in Millions of Dollars)*



The Hinson-Hazlewood College Access Loan (HHL-CAL) is the largest of the loan programs that the State of Texas offers for students. Recipients are not required to demonstrate financial need to receive HHL-CAL loans. A student may borrow up to the cost of attendance at his or her institution, minus any other financial aid he or she is receiving. In AY 2016-2017 HHL-CAL awards totaled $163.1 million, a 13 percent increase over the previous year. This marks the third year of increases in award totals for this loan program.

HHL-CAL Volume and Enrollment by Region

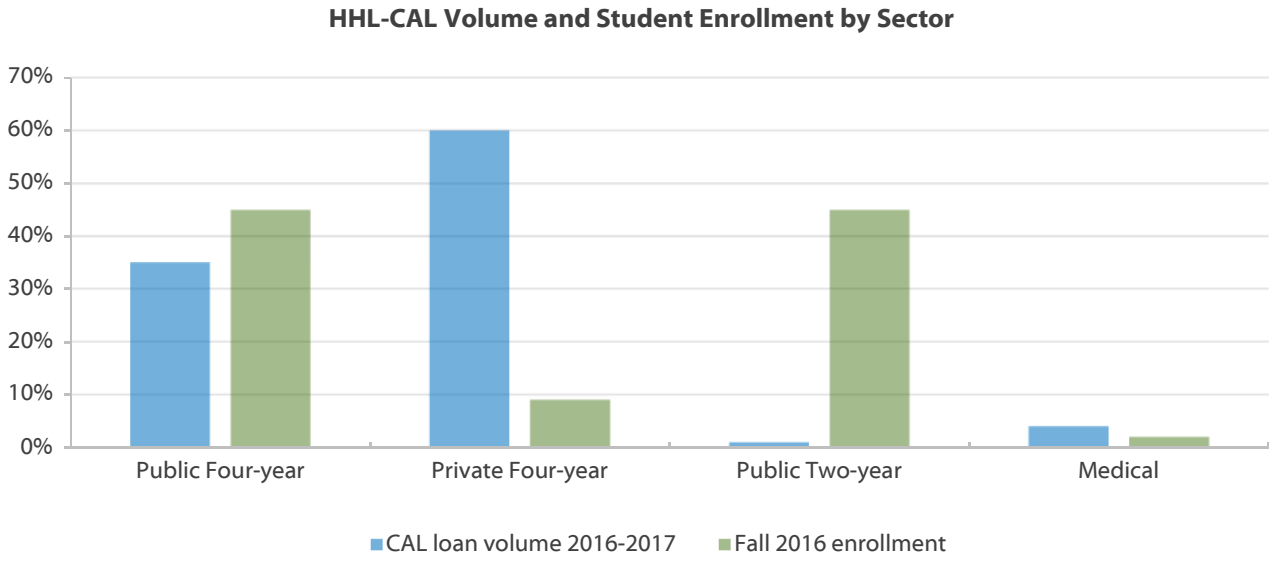


In AY 2016–2017, 38 percent of the HHL-CAL dollars went to students attending schools in the Central Texas region. Although Central Texas comprises only 26 percent of Texas enrollment, it is home to the state's two flagship universities, the University of Texas at Austin and Texas A&M University. The Metroplex region received approximately the same percentage of HHL-CAL dollars as it represented in student enrollment. All other regions, except for the Panhandle region, received a smaller percentage than their share of the state's enrollment.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Source: Loan volume: Texas Higher Education Coordinating Board (THECB), "Financial Aid Database for AY 2016–2017," Austin, Texas, 2018 (Unpublished tables); Data on loan terms and loan eligibility: THECB, "College for Texans" Website (http://www.collegeforalltexans.com/apps/financialaid/tofa.cfm?Kind=L); Enrollment: THECB. Texas Higher Education Data (http://www.txhighereddata.org/).

HHL-CAL Loans Go Predominantly to Private Four-year Schools



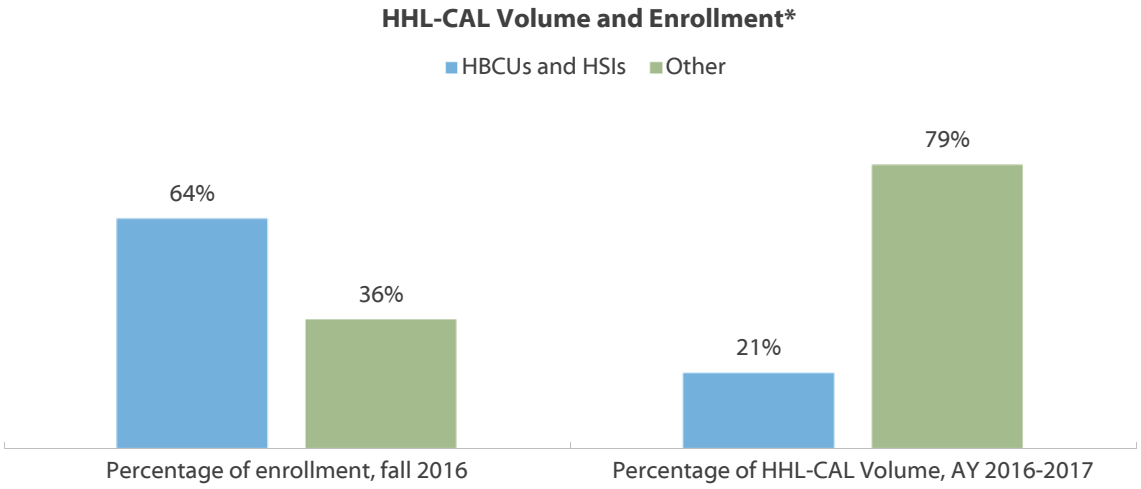
The majority of students in Texas attend public colleges and universities. The proportion of Hinson-Hazlewood-College Access Loan (HHL-CAL) volume by school type does not parallel student enrollment.* In Award Year (AY) 1996–1997, 28 percent of HHL-CAL loan volume went to students in public universities and 68 percent went to students in private universities, where costs typically are higher. The gap between the percentages narrowed throughout the 1990s. By AY 2002–2003, the percentage of HHL-CAL loan volume going to students in public institutions was greater than that going to students attending private institutions. About 51 percent of all HHL-CAL volume in AY 2007–2008 went to students in public four-year universities and 45 percent went to students in private four-year universities.

However, this trend has reversed in recent years. In AY 2016– 2017, 35 percent of HHL-CAL dollars went to students attending public four-year institutions, and this sector accounted for 45 percent of student enrollment. Private four-year students accounted for 9 percent of enrollment in Texas postsecondary institutions, but 60 percent of HHL-CAL volume. Similarly, public two-year students accounted for 45 percent of enrollment, but only 1 percent of HHL-CAL volume. This pattern is at least partially because the cost of attendance at public two-year schools is generally lower than at four-year schools.

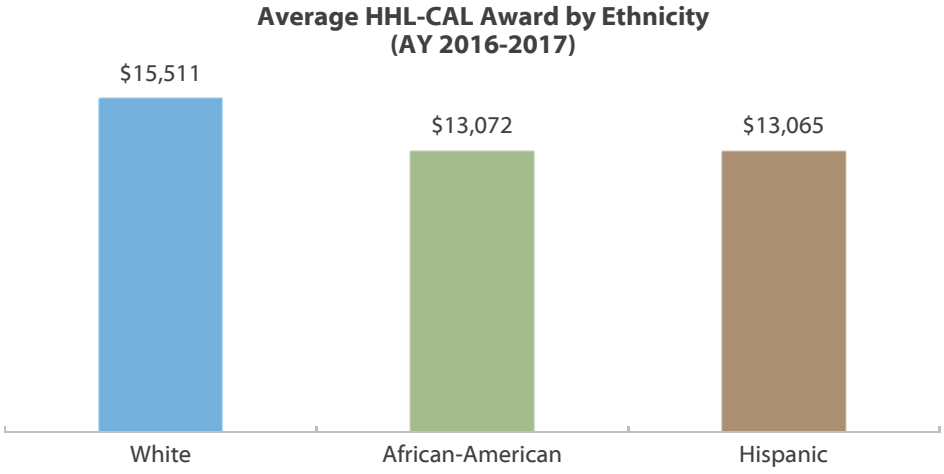
* HHL-CAL volume data for students who attended for-profit institutions are not available.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database, 2016-2017," Austin, Texas, 2018 (Unpublished tables); Public Enrollment: THECB. "PREP Online" (http://www.txhighereddata.org/Interactive/PREP_New).

HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 99 Hispanic-Serving Institutions (HSIs). In Award Year (AY) 2005–2006, HBCUs and HSIs comprised 33 percent of total Texas enrollment and received 14 percent of Hinson-Hazlewood College Access Loan (HHL-CAL) dollars. In AY 2016–2017, HBCUs and HSIs comprised 64 percent of total Texas enrollment and received 21 percent of HHL-CAL dollars. This gap has widened compared to last year as the enrollment at HBCUs and HSIs makes up a larger portion of the overall higher education enrollment.



The average HHL-CAL award differed across ethnic groups in AY 2016–2017. White students on average borrowed about $2,439 more than African-American students and $2,446 more than Hispanic students.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2016–2017." Austin, Texas, 2018 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (http://www.txhighereddata.org/). HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html); HSIs: U.S. Department of Education, unpublished report (special request).

Federal Loan Volume Concentrated in Rural Areas, More Widely Distributed in Urban Areas

Top Schools by Region (AY 2017–2018)

Panhandle*

1. Texas Tech University	$162 Million
2. Texas Tech University Health Sciences Ctr	$61
3. West Texas A&M University	$42
4. Abilene Christian University	$35
5. Midwestern State University	$31

*** Top 5 Schools Account for 76% of Volume**

Metroplex*

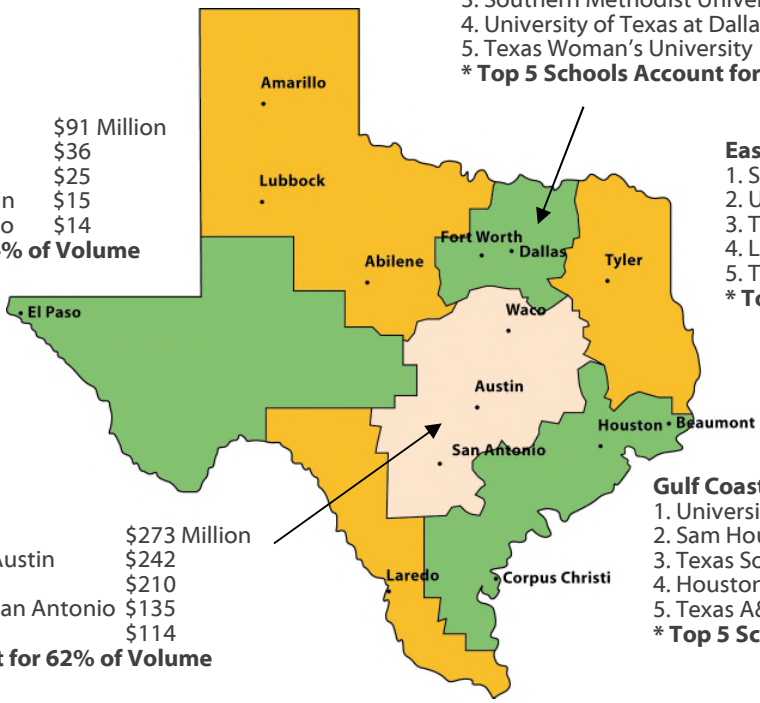
1. University of North Texas	$191 Million
2. University of Texas at Arlington	$169
3. Southern Methodist University	$80
4. University of Texas at Dallas	$72
5. Texas Woman's University	$70

*** Top 5 Schools Account for 48% of Volume**

West*

1. University of Texas at El Paso	$91 Million
2. Angelo State University	$36
3. Vista College	$25
4. U of Texas of the Permian Basin	$15
5. Southwest University at El Paso	$14

*** Top 5 Schools Account for 84% of Volume**



East*

1. Stephen F. Austin State Univ.	$70 Million
2. University of Texas at Tyler	$53
3. Tyler Junior College	$21
4. LeTourneau University	$18
5. Texas A&M Univ. - Texarkana	$10

*** Top 5 Schools Account for 74% of Volume**

Central*

1. Texas A&M University	$273 Million
2. University of Texas at Austin	$242
3. Texas State University	$210
4. University of Texas at San Antonio	$135
5. Baylor University	$114

*** Top 5 Schools Account for 62% of Volume**

Gulf Coast*

1. University of Houston	$182 Million
2. Sam Houston State University	$124
3. Texas Southern University	$103
4. Houston Community College	$80
5. Texas A&M Univ. – Corpus Christi	$73

*** Top 5 Schools Account for 47% of Volume**

Rio Grande*

1. University of Texas–Rio Grande Valley	$71 Million
2. Texas A&M International University	$20
3. South Texas Vocational Technical Institute	$5
4. University of Texas at Rio Grande Valley	$4
5. Rio Grande Valley College	$3

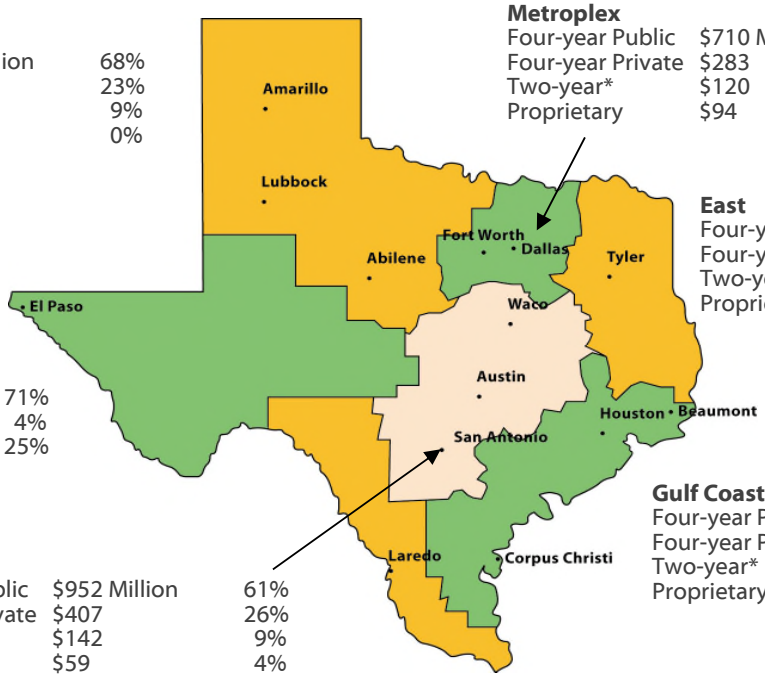
*** Top 5 Schools Account for 92% of Volume**

In the rural areas of the state, Award Year (AY) 2017–2018 Federal Direct Loan Program (FDLP) volume remains concentrated among a few schools. In regions that contain the state's largest cities, loan volume is more widely distributed. For example, in the Rio Grande region, five schools account for 92 percent of regional loan volume, while in the Gulf Coast region the five schools with the largest loan volume account for less than half of regional volume. This is most likely due to the greater number of school choices that exist in the more urbanized regions of the state.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (https://studentaid.ed.gov/sa/about/data-center/student/title-iv).

Four-Year Public Schools Account for More Than Half of Federal Loan Volume

Federal Loan Volume by Region and School Type
In Millions of Nominal Dollars
(AY 2017–2018)



Panhandle

Four-year Public	$296 Million	68%
Four-year Private	$101	23%
Two-year*	$40	9%
Proprietary	$1	0%

Metroplex

Four-year Public	$710 Million	59%
Four-year Private	$283	23%
Two-year*	$120	10%
Proprietary	$94	8%

East

Four-year Public	$133 Million	57%
Four-year Private	$50	21%
Two-year*	$49	21%
Proprietary	$1	1%

West

Four-year Public	$153 Million	71%
Two-year*	$9	4%
Proprietary	$53	25%

Gulf Coast

Four-year Public	$834 Million	69%
Four-year Private	$112	9%
Two-year*	$152	13%
Proprietary	$106	9%

Central

Four-year Public	$952 Million	61%
Four-year Private	$407	26%
Two-year*	$142	9%
Proprietary	$59	4%

Rio Grande

Four-year Public	$95 Million	85%
Two-year*	$2	2%
Proprietary	$14	12%

Four-year public school volume makes up the largest share of the volume in all regions. Proprietary school volume exceeds two-year* school volume in two regions. In Award Year (AY) 2017–2018, public four-year schools accounted for 64 percent of the state's Federal Direct Loan Program (FDLP) volume. Four-year private school volume accounted for 19 percent, two-year* school volume accounted for 10 percent, and proprietary school volume accounted for 7 percent of total FDLP volume in Texas.

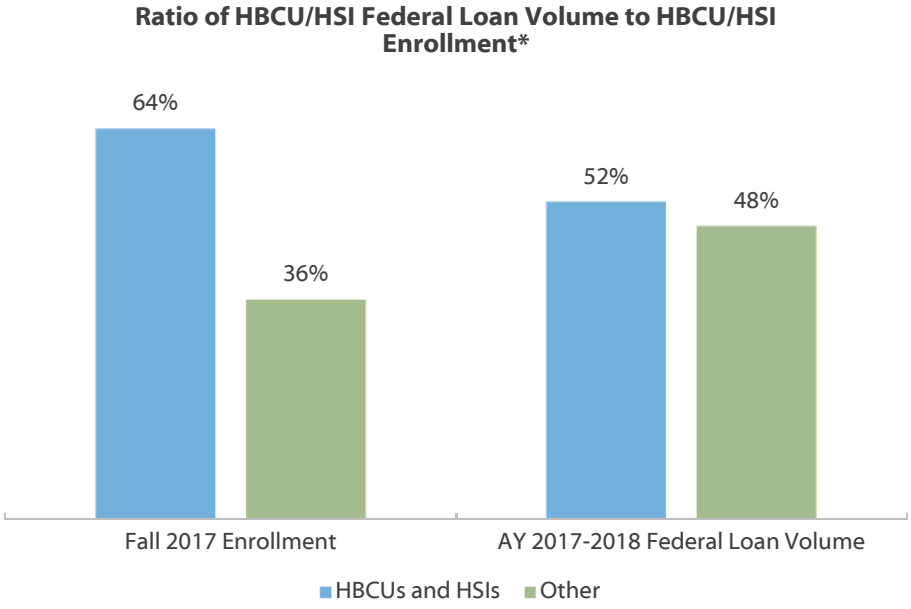
Texas Federal Loan Volume by School Type
AY 2017–2018

School Type	Amount (in Millions)	% of Amount
Public Four-year	$3,173	64%
Private Four-year	$954	19%
Two-year*	$514	10%
Proprietary	$328	7%

*The two-year category includes both public and private, not-for-profit, and excludes proprietary.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (https://studentaid.ed.gov/sa/about/data-center/student/title-ivl).

HBCU and HSI Federal Loan Volume Is Proportionally Less Than Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 99 Hispanic Serving Institutions (HSIs). HBCUs and HSIs accounted for 64 percent of total Texas enrollment in fall 2017 while generating 52 percent of Award Year 2017–2018 Federal Direct Loan Program (FDLP) volume.

HBCUs are higher education institutions that were established prior to 1964 with the intention of primarily serving the African-American community, though students of all races and ethnicities are welcome to apply. There are 107 HBCUs nationwide.

Institutions meeting certain eligibility criteria, such as having at least a 25 percent Hispanic undergraduate enrollment, can apply for federal funding under Title III of the Higher Education Act. This federal program helps HSIs better serve their populations, which often include first generation and low-income students.

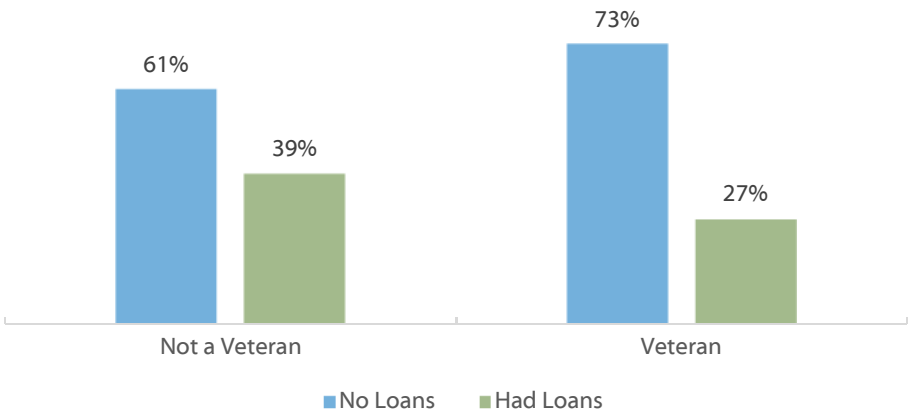
*Does not include proprietary schools for volume or enrollment.

Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (http://nces.ed.gov/ipeds/); Loan Volume: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (https://studentaid.ed.gov/sa/about/data-center/student/title-iv); HBCUs: U.S. Department of Education, Office for Civil Rights database. "Accredited Postsecondary Minority Institutions" (http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html); HSIs: U.S. Department of Education, unpublished report (special request).

Veterans Less Likely to Borrow Student Loans but Borrow Larger Amounts Compared to Non-Veterans

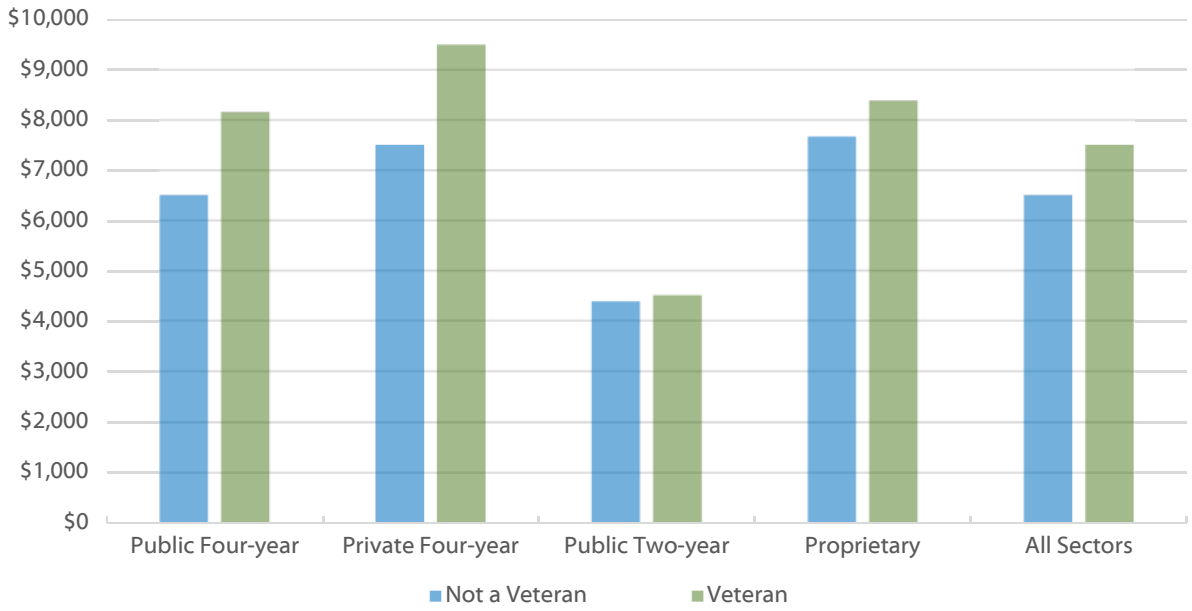
Undergraduate students who were veterans were less likely to borrow student loans compared to undergraduates who were not veterans, with 27 percent of veterans borrowing compared to 39 percent of non-veterans.

Percent With and Without Student Loans by Veteran Status, In AY 2015-2016



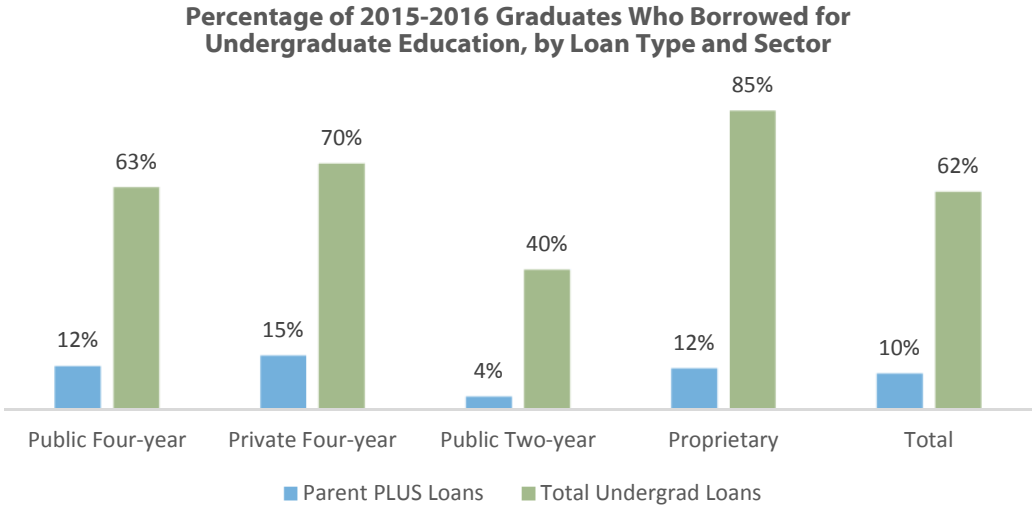
Although they were less likely to be borrowers, veteran undergraduates borrowed larger amounts than non-veterans when they did borrow. The difference between veterans and non-veterans was particularly pronounced in the four-year sectors.

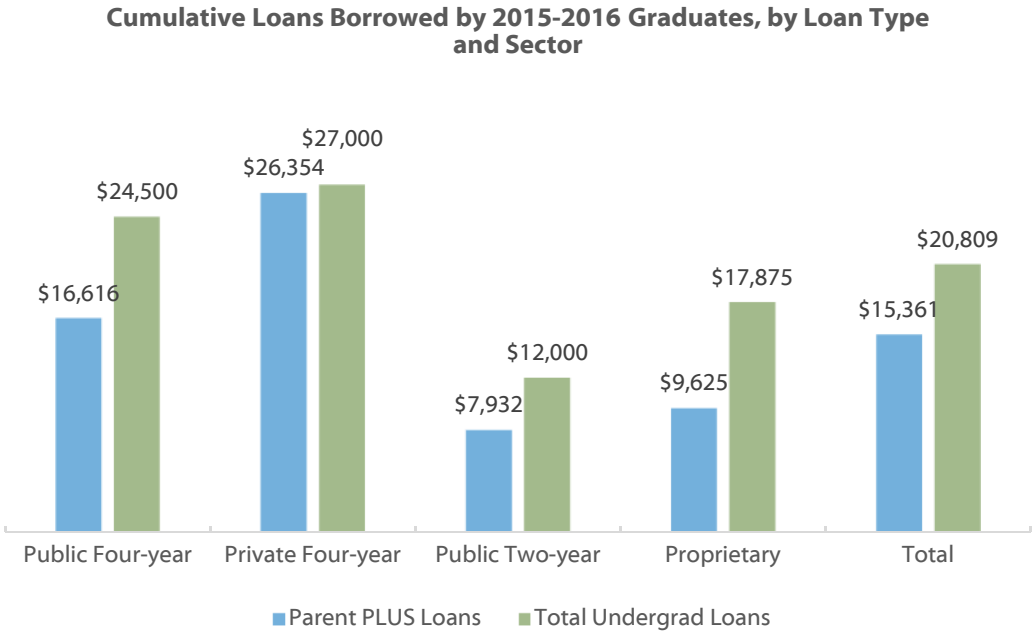
Median Student Loan Amount by Sector and Veteran Status, In AY 2015-2016



Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Undergraduates Nationwide Borrowed About $21,000 For Their Education





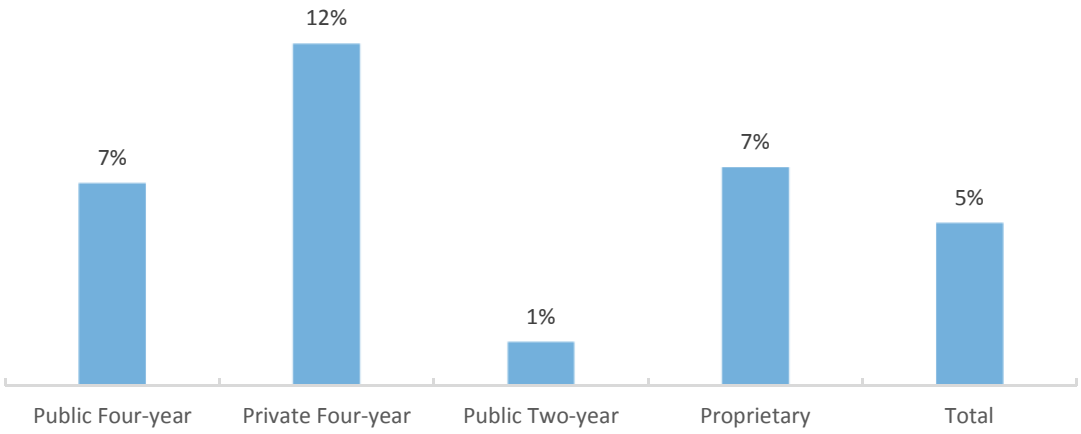
Almost two-thirds of undergraduates nationwide who graduated in academic year (AY) 2015-2016 had borrowed student loans, and 10 percent had parents who had borrowed parent PLUS loans. The public two-year sector had the lowest borrowing rates, with 40 percent of students borrowing and 4 percent of students' parents borrowing. The private four-year sector had the highest parent borrowing rate, at 15 percent, and the proprietary sector had the highest student borrowing rate, at 85 percent.

While parent borrowing rates were much lower than student borrowing rates, the average cumulative amounts borrowed were often not much lower. In the private four-year sector, parents ended up borrowing nearly as much as the students, with both groups having the highest median amounts among all the sectors. Overall, undergraduates who graduated in 2015-2016 ended up borrowing almost $21,000 and the parents ended up borrowing more than $15,000.

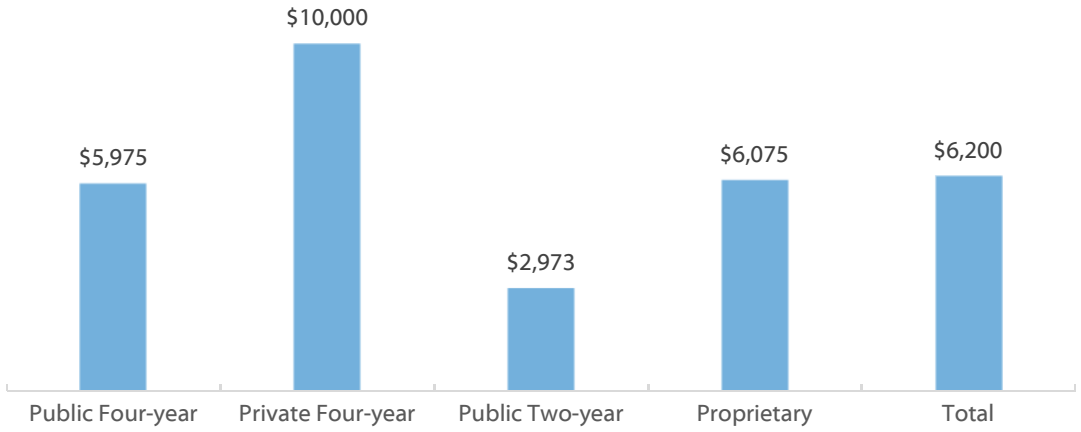
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Private Loan Borrowing Highest in the Private Four-year Sector

Percentage of Students Who Borrowed Private Loans in AY 2015-2016, by Sector



Median Private Loan Amount for Students Who Borrowed in AY 2015-2016, by Sector

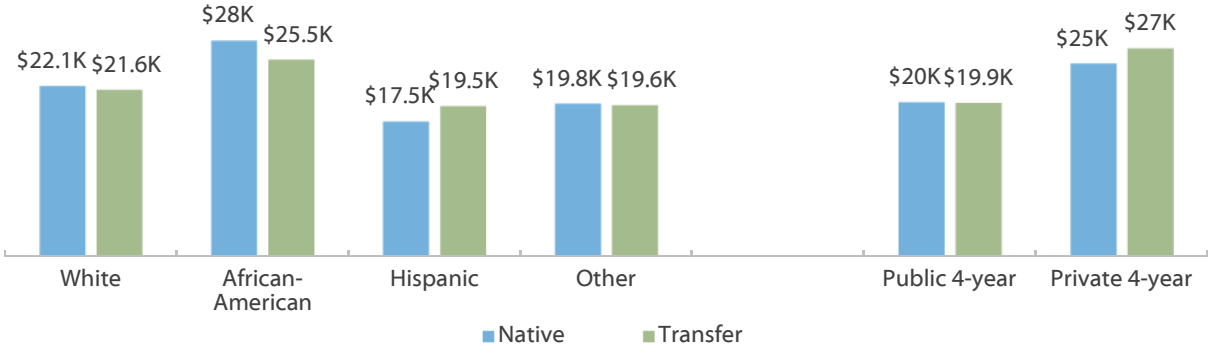


About five percent of undergraduates in academic year (AY) 2015-2016 borrowed a private education loan. The amount borrowed varied by school sector, ranging from a median of $2,973 at public two-year institutions to a median of $10,000 at private four-year institutions. The overall median was $6,200.

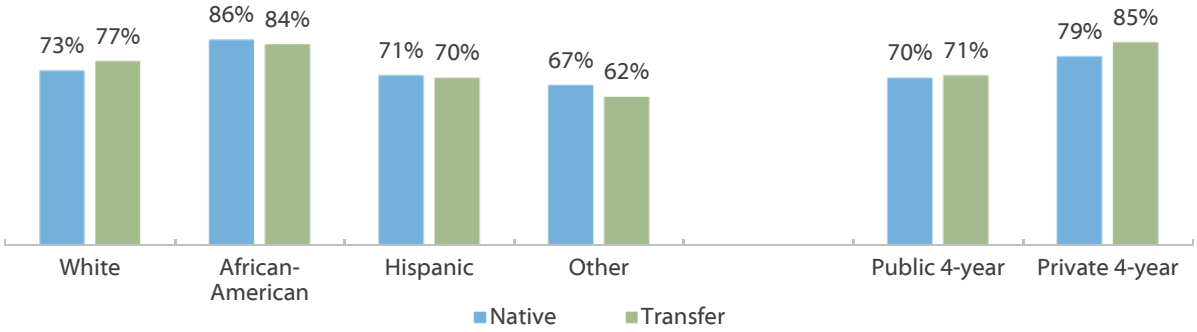
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

Transfer Students Borrow About as Often and Nearly as Much as Native Students

U.S. Low-income AY 2007-2008 Bachelor's Recipients' Median Cumulative Loan Debt through AY 2007-2008, by Race/Ethnicity and Sector



Percentage of U.S. Low-income AY 2007-2008 Bachelor's Recipients Who Borrowed Any Student Loan, by Race/Ethnicity and Sector



Low- and middle-income bachelor's degree recipients borrowed about the same student loan amounts regardless of whether they started at a two-year college or a four-year university. Most transfer students were not able to avoid borrowing by starting at a community college and generally borrowed more than "native" students during their final years of college. Transfer students also tended to recieve less grant and institutional aid than native students, especially at four-year private universities, which likely increased their need to borrow at their four-year institutions.

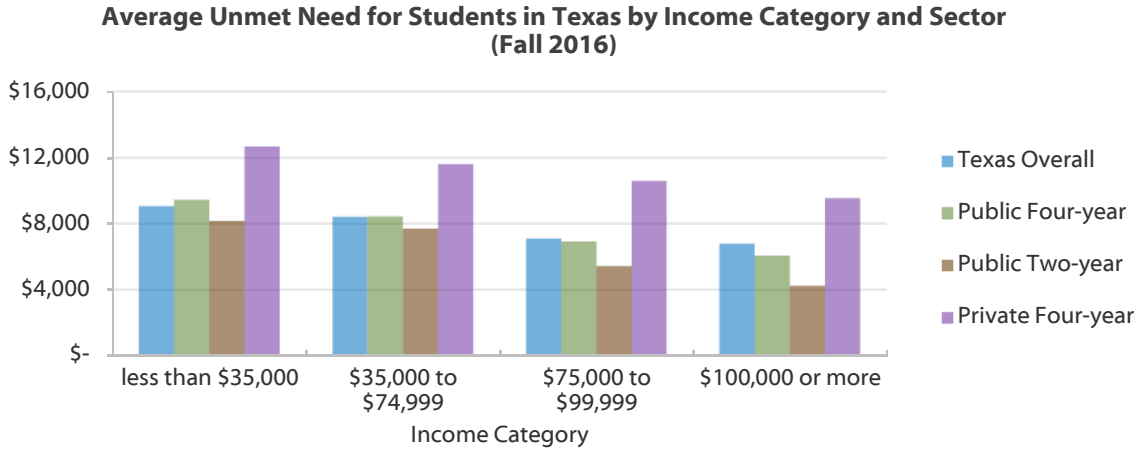
Many factors contribute to higher borrowing among transfer students. Transfer students tend to receive less grant aid, but they also tend to enroll at schools that provide less grant aid to all students, to have lower incomes and lower SAT scores, and to take significantly longer to finish their degrees. Prospective transfer students face many challenges. According to a 2009 study by the National Center for Education Statistics, only about one third of community college students who intend to transfer to a university actually end up doing so within three years, and several studies have reported better academic outcomes for students of four-year universities versus community colleges. High school students should consider these trends as well as their individual goals and circumstances in making their postsecondary enrollment decisions.

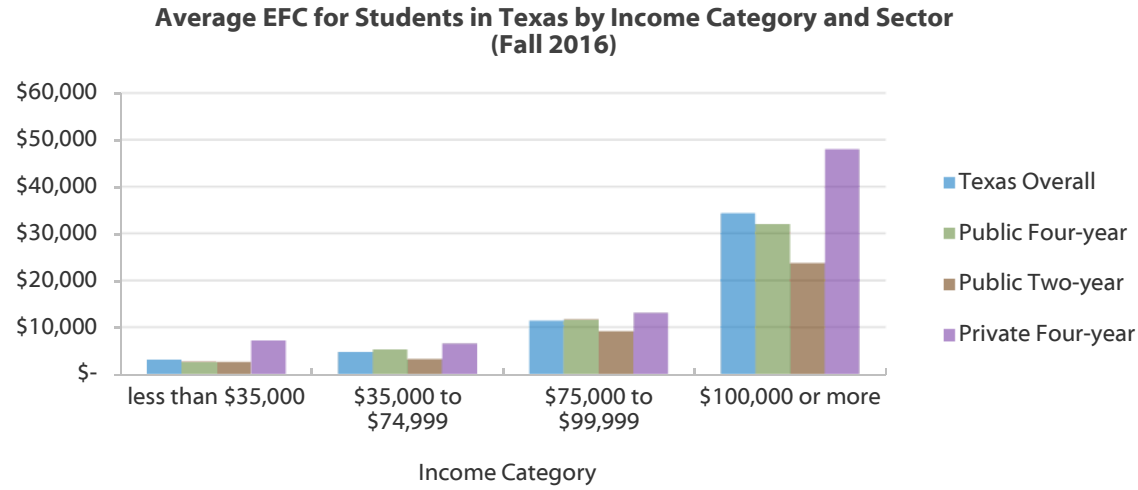
Sources: Percent Who Transfer: U.S. Department of Education, National Center for Education Statistics, On Track to Complete? A Taxonomy of Beginning Community College Students and their Outcomes 3 Years after Enrolling: 2003-04 through 2006, July 2009 (http://nces.ed.gov/pubs2009/2009152.pdf); All Else: U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond Longitudinal Study 2009 (http://nces.ed.gov/surveys/b&b/).

SECTION 7

Need and Work

Unmet Need for Low-Income Students in Texas About $9,000 at Public Universities





Unmet need is defined as a student's cost of attendance* minus his or her expected family contribution (EFC)** and all financial aid including grants, scholarships, work-study, and loans. This is the amount that students and/or their families must cover over and above their EFC, which is also an out-of-pocket expense.

The lowest-income students in Texas tend to have the highest unmet need; in 2016, average unmet need for this group was about $9,057 statewide, or about $1,000 per month over the course of the 9-month school year. At private four-year schools, this group experienced average unmet need of over $12,000. Besides having greater financial resources to contribute to EFC, those in the highest income category are more likely to attend more expensive four-year institutions, which further increases EFC. Data on students who attended proprietary institutions are not available.

* Estimated sum of tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months.

** EFC is determined through a federal formula that considers family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

Source: Texas Higher Education Coordinating Board (THECB), "Unmet Need and Expected Family Contribution" (unpublished tables).

Community College Students Expected to Pay Far Less but Have Almost as Much Unmet Need

Average Unmet Need and Average EFC* by Race/Ethnicity for Texas Public Institutions (Fall 2016)

Despite substantially lower cost of attendance at public two-year schools, unmet need* is not significantly lower on average for students at these institutions compared to students at public four-year institutions. The average community college student had nearly $900 per month in unmet need over their 9-month school year.

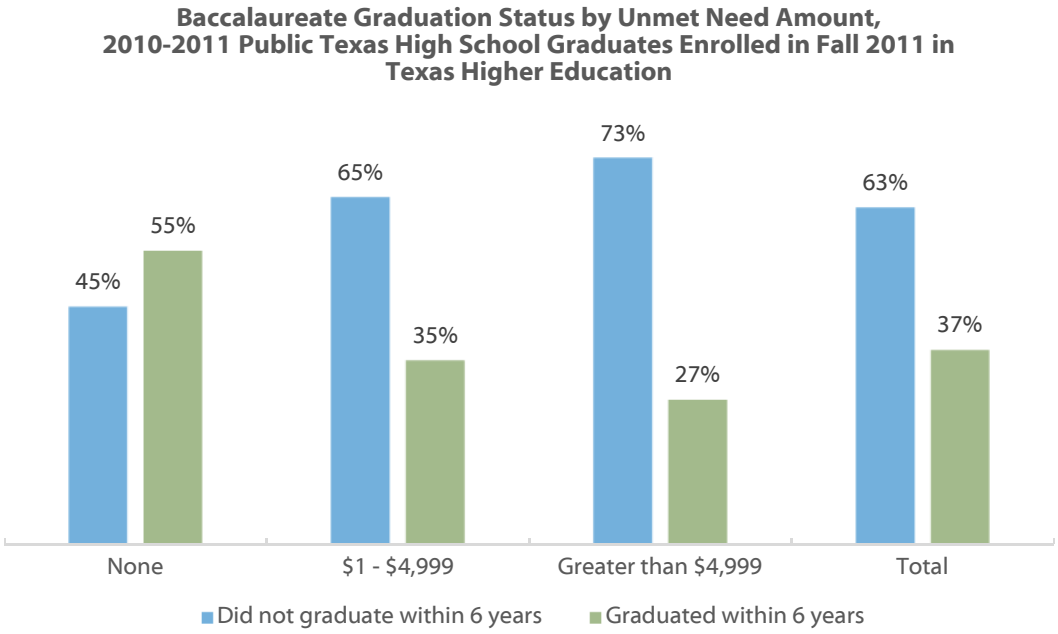
For all racial/ethnic groups, average expected family contribution (EFC)** was much higher at four-year universities due to a higher cost of attendance and a larger concentration of students from higher income families. Higher income students are disproportionately White or in the "Other/unknown" category, which explains the higher EFC amounts for those racial/ethnic groups. This is particularly evident at public four-year schools, where students in these racial/ethnic groups are not only wealthier on average but also more likely to enroll at higher cost universities.

* "Unmet need" is the gap that remains between a student's resources and his/her total cost of attendance even after accounting for grant aid, loan aid, and EFC.

**EFC is the formulaically determined amount that the student can reasonably be expected to pay out of pocket.

Source: Texas Higher Education Coordinating Board (THECB), "Unmet Need and Unexpected Family Contribution" (unpublished tables).

Texas Students With Unmet Need Were Less Likely to Graduate Than Those With No Unmet Need

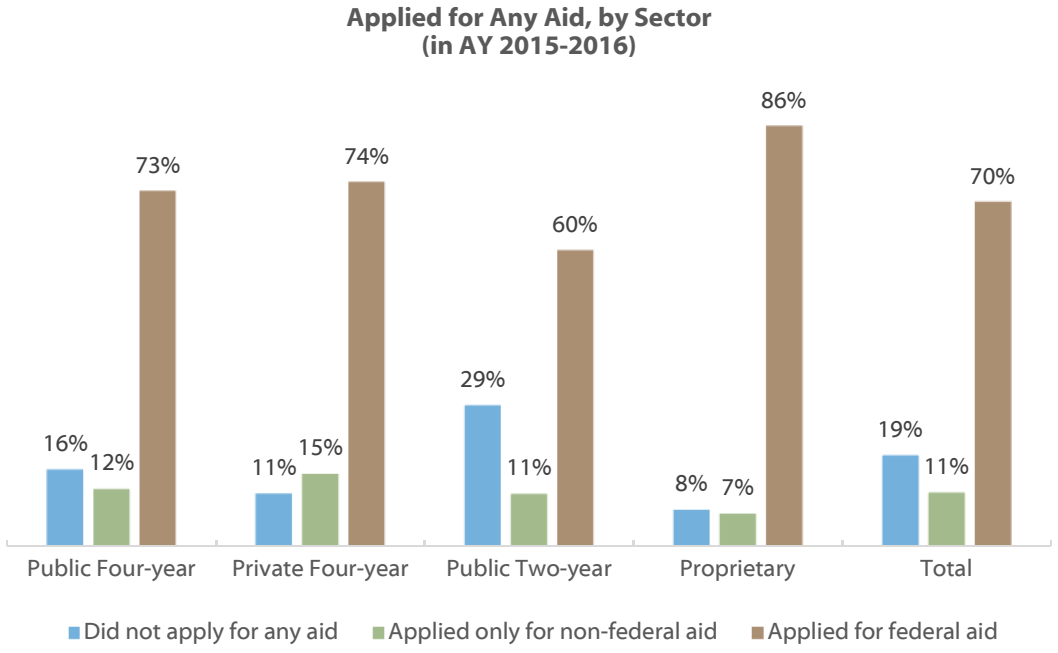


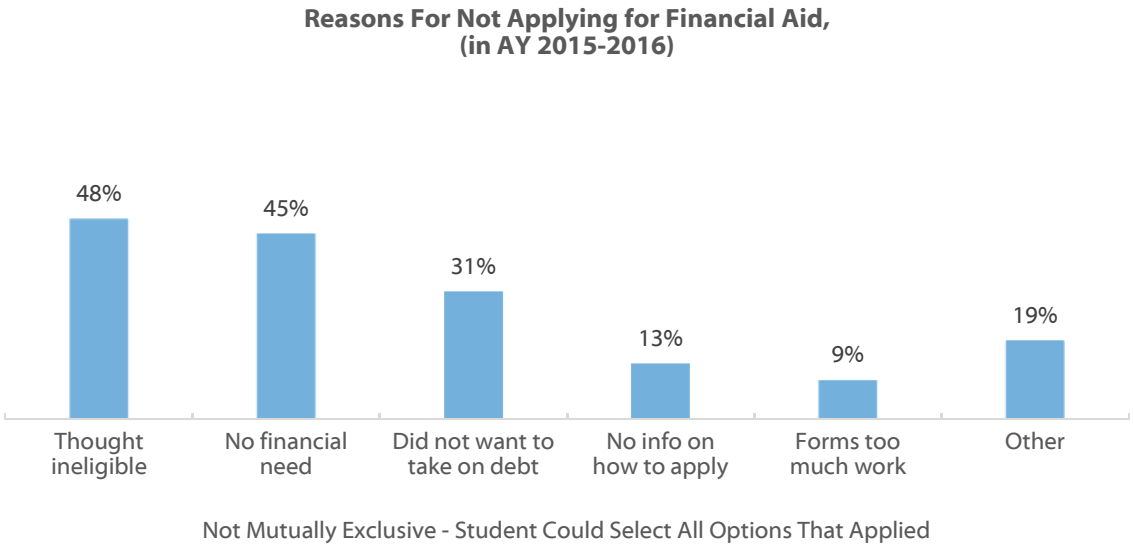
University students in Texas who had no unmet need were more likely to obtain a bachelor's degree than their peers who had unmet need. Over half of students with no unmet need had graduated within six years of initially enrolling in college, compared to 35 percent of those with unmet need below $5,000 and just 27 percent of those with higher unmet need.

Unmet need is the gap that remains between a student's resources and his/her total cost of attendance even after accounting for grant aid, loan aid, and expected family contribution (EFC; the formulaically determined amount that the student can reasonably be expected to pay out of pocket). The cost of attendance is the estimated sum of tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months.

Source: Texas Higher Education Coordinating Board (THECB), "Baccalaureate Graduation Status within Six Years by Unmet Need" (unpublished tables; special request).

Nearly One-third of U.S. Undergraduates Who Did Not Apply for Financial Aid Were Wary of Taking On Debt



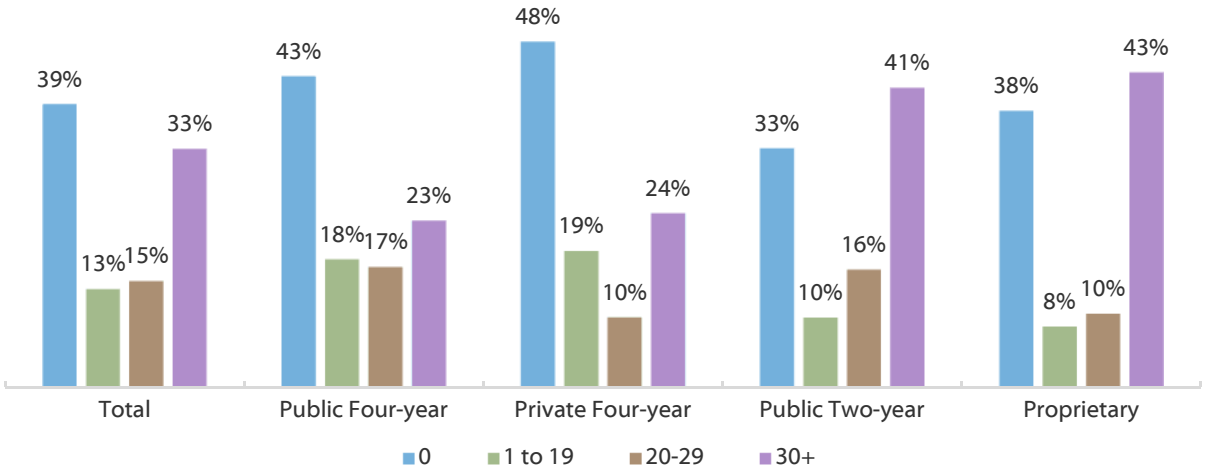


About four in five undergraduates nationwide had applied for some form of aid in academic year (AY) 2015-2016. Most of the students who applied for aid had applied for federal aid, with a small minority only applying for non-federal aid. Almost a third of students who did not apply for any aid said that they did not want to take on more debt, and almost half marked that they thought they were ineligible and/or they had no financial need.

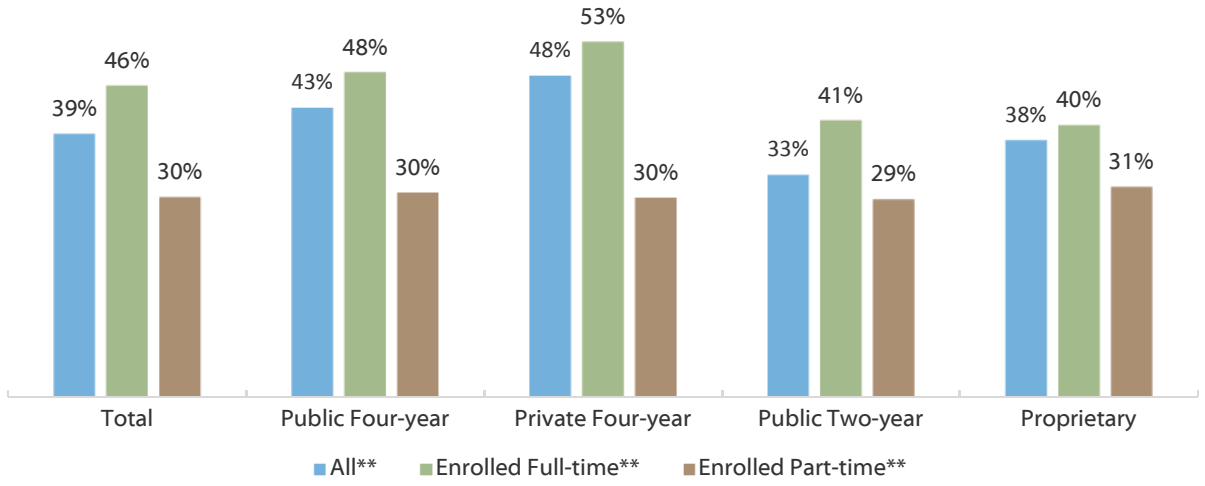
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (http://www.nces.ed.gov/das).

A Third of U.S. Undergraduates Nationally Work at Least 30 Hours per Week While Enrolled

Hours Worked* per Week by Sector (AY 2015-2016)



Percentage Working Zero Hours per Week by Sector and Enrollment Intensity (AY 2015-2016)



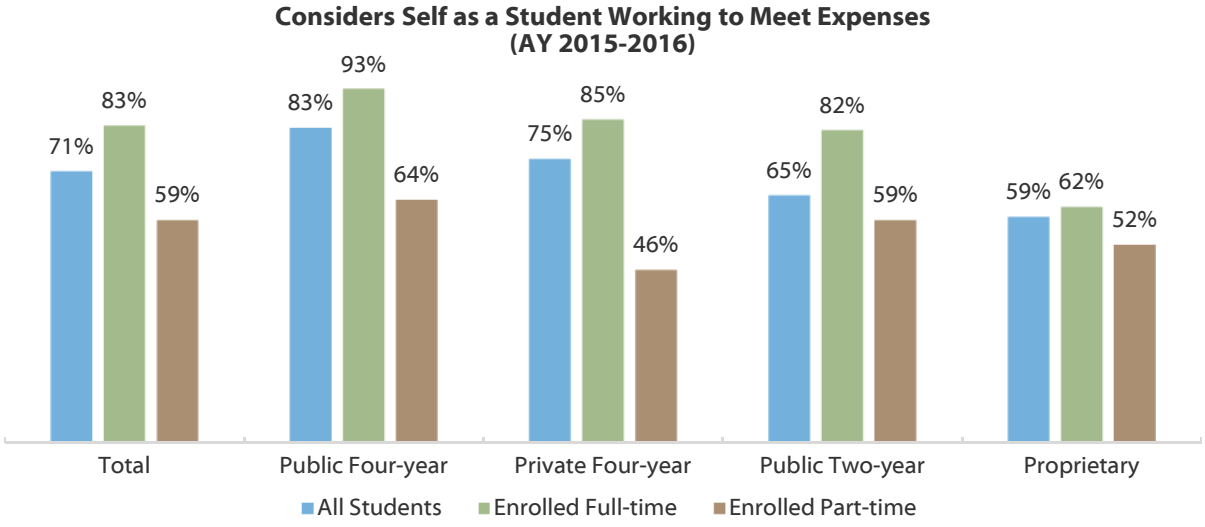
Overall, a third of undergraduates across the nation are working at least 30 hours per week, while 39 percent of students did not work during the 2015-2016 Academic Year (AY). These proportions vary by sector. Close to half of students at private four-year institutions and 43 percent of those at public four-year institutions did not work, and about a quarter of students at those sectors worked 30 hours or more per week. Students enrolled full-time are more likely to have worked no hours compared to students enrolled part-time.

*Excludes work-study

**Only those who were enrolled exclusively full-time or exclusively part-time for both the fall 2015 and spring 2016 semesters.

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (http://www.nces.ed.gov/das), 2016.

Most U.S. Students Who Work While Enrolled Consider Themselves to be Students Rather Than Employees



When asked if they consider themselves to be a student working to meet expenses or a worker who is going to school, 71 percent of students nationwide who worked while enrolled considered themselves to be a student rather than an employee during Academic Year 2015-2016. A majority of students across all sectors considered themselves to be students who work, but the proportions varied from 83 percent of public four-year students to 59 percent of proprietary students.

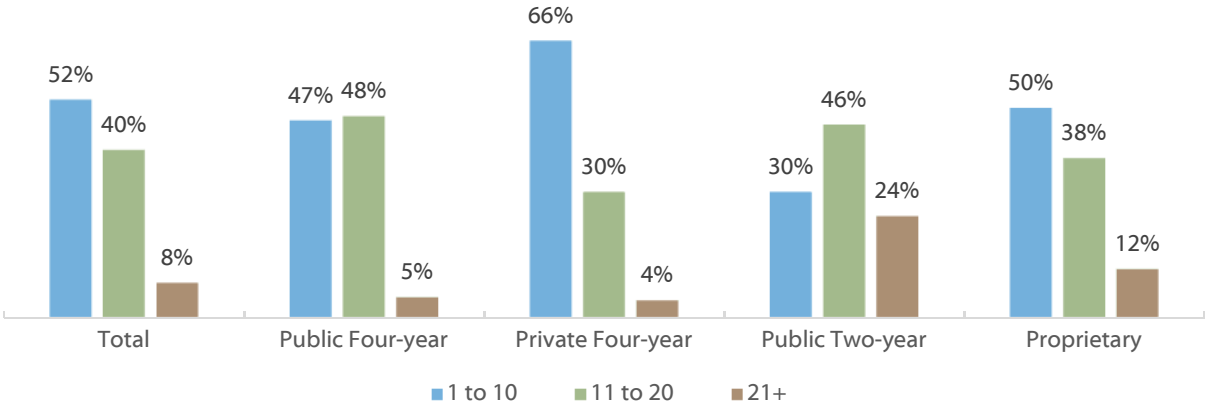
The proportions also varied by enrollment intensity. Nationwide, 83 percent of full-time students considered themselves to be students who work compared to 59 percent of students enrolled part-time.

*Only students with jobs (includes work-study).

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (http://www.nces.ed.gov/das), 2016.

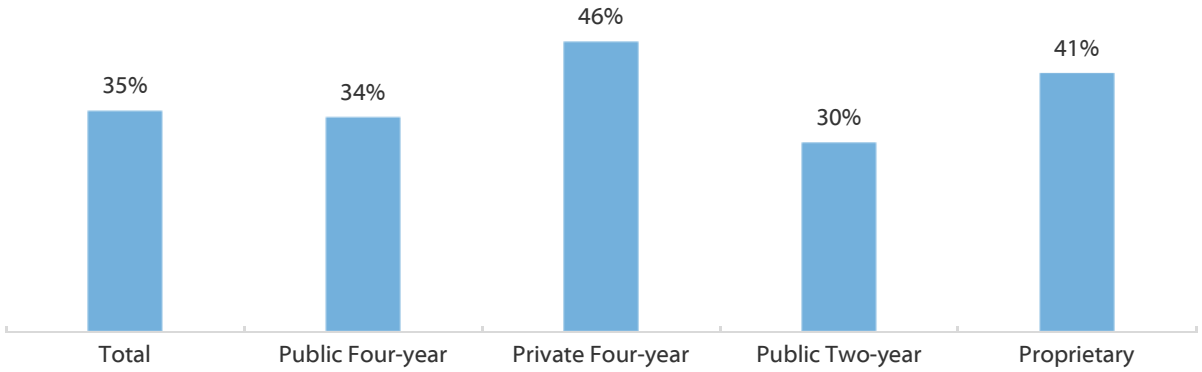
Most U.S. Students Feel Their Work-Study Job is Not Related to Their Major

Work Study Job Hours Worked per Week, by Sector (AY 2015-2016)



More than half of undergraduates across all sectors nationwide who had a work-study job worked 10 hours or fewer per week in that jobs and another 40 percent worked between 11 and 20 hours per week. Work-study students at public two-year institutions were more likely to work longer hours per week compared to their peers at all other sectors. About a quarter of all public two-year work-study students worked more than 20 hours per week at their work-study jobs.

Employed Students: Job Related to Major or Field of Study, by Sector (AY 2015-2016)

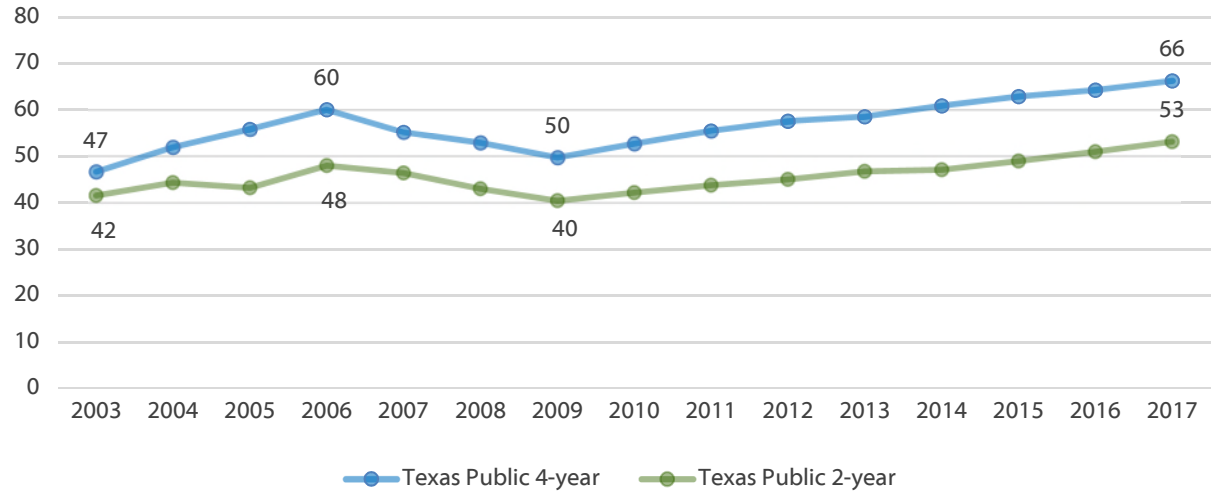


About two-thirds of students who were employed while enrolled worked at a job that they did not believe was related to their major or field of study. This varied somewhat by section, with almost half of private four-year students holding work-study jobs related to their major compared to only about a third of students in the public two-year sector.

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (http://www.nces.ed.gov/das), 2016.

Paying for A Bachelor's Degree Through Work Alone Would Require 66 Hours per Week at Minimum Wage

Hours of Minimum Wage Work per Week Needed to Pay for an Average Undergraduate Education in Texas, by Sector (2003 to 2017)



In earlier decades, many students financed an undergraduate education by taking a full course load while working enough hours to cover living and educational expenses, perhaps with the aid of savings from a full-time summer job. From 1966 to 1981, a time in which the minimum wage increased fairly regularly, an industrious undergraduate could have paid for a year of education at a public university — including tuition, food, and housing — by working about 24 hours per week at a minimum wage job.

In the early 1980s, as the cost of education began to climb and the minimum wage increased less frequently, the number of work hours needed to pay for an education began to rise. The hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century.

In 2017-2018, an in-state, residential undergraduate would have had to work 66* hours every week of the year to pay for two semesters at a Texas public university, and 53** hours for two semesters at a Texas community college. This is a slight increase from the previous year and is a continuation of the upward trend beginning in 2010, which reflects the period of annual minimum wage increases (2006-2009) coming to an end.

*The average student budget for an in-state, residential student at a Texas public four-year university in AY 2017–2018 was $23,418. The At a net of $6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 3,443 hours per year, or 66 hours per week, to put him or herself through school.

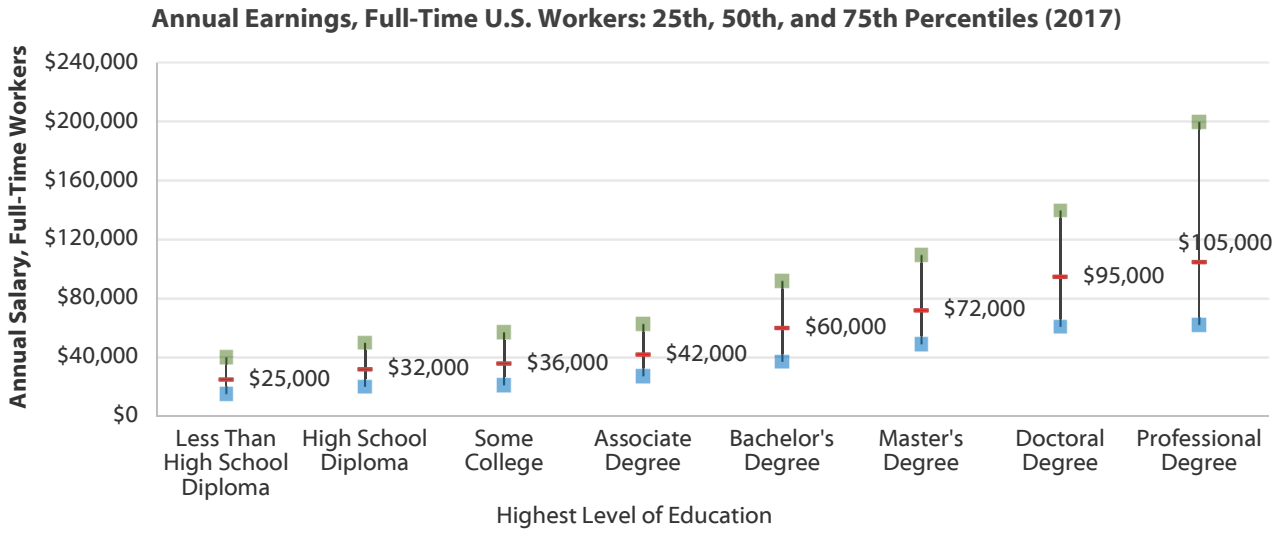
**The average student budget for an in-state, residential student at a Texas public community college in AY 2017–2018 was $18,770. The At a net of $6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 2,760 hours per year, or 53 hours per week, to put him or herself through school.

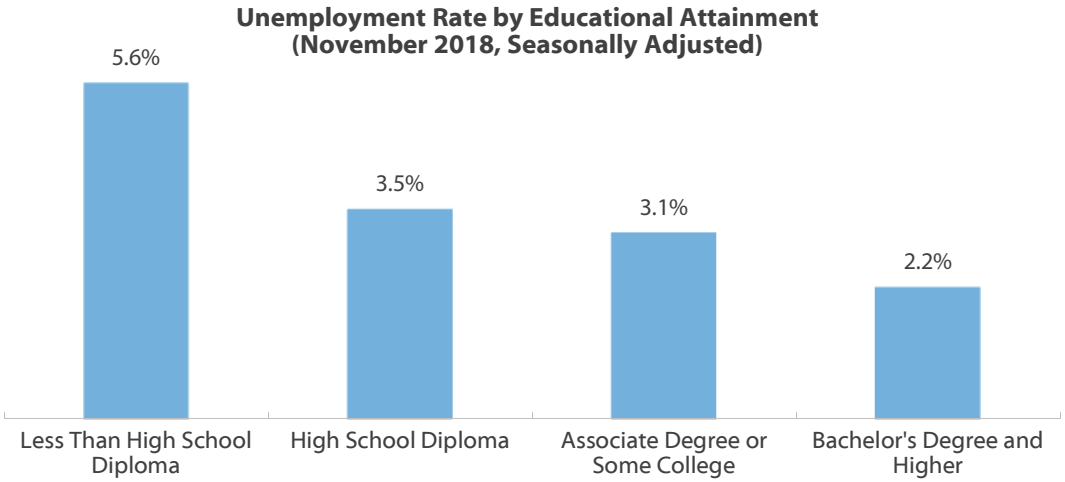
Sources: Minimum wage: U.S. Department of Labor. Employment Standards Administration, "History of Federal Minimum Wage Rates" (http://www.dol.gov/whd/minwage/chart.htm); U.S. Data: Postsecondary Education Opportunity. "'I worked my way through college. You should too," 2008 update to *Research Newsletter,* Issue Number 125 (November 2002) (www.postsecondary.org); Texas Data: U.S. Department of Education, National Center for Education Statistics, IPEDS Data (http://www.nces.ed.gov/ipeds/).

SECTION 8

Texas College Attainment

College Graduates Earn Far More Than High School Graduates and Experience Less Unemployment



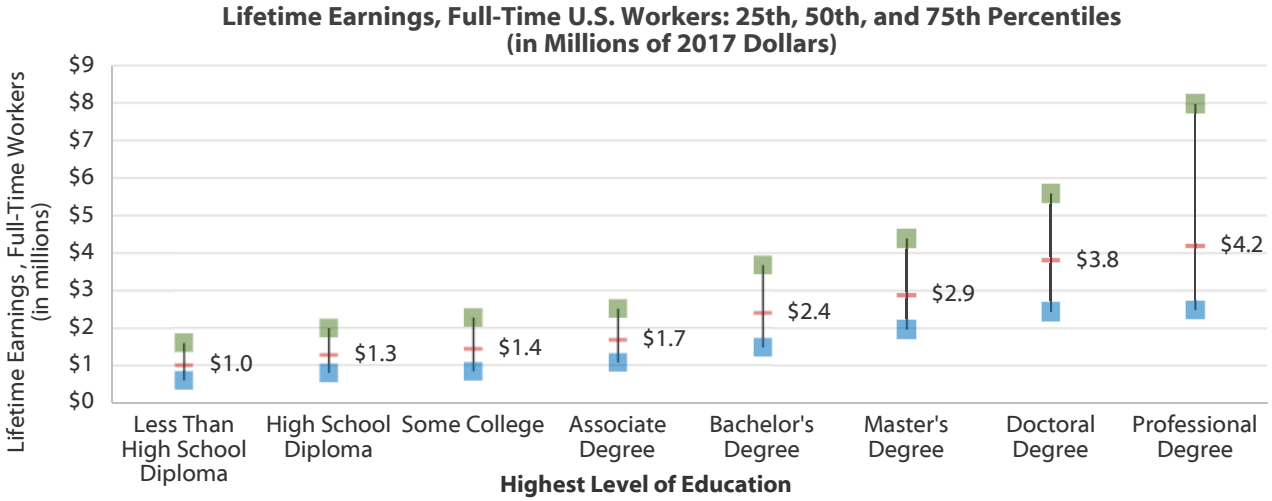


The U.S. Census Bureau reports that higher levels of education are typically associated with higher median earnings; however, annual incomes in the U.S. also vary widely within the same level of education. Consequently, some workers with associate degrees earn more than those with bachelor's degrees, while other bachelor's-level graduates make more than some master's degree holders. While educational level is not the sole predictor of one's income, the income range also expands as level of education increases, suggesting that workers with higher levels of education may encounter more opportunities for financial growth.

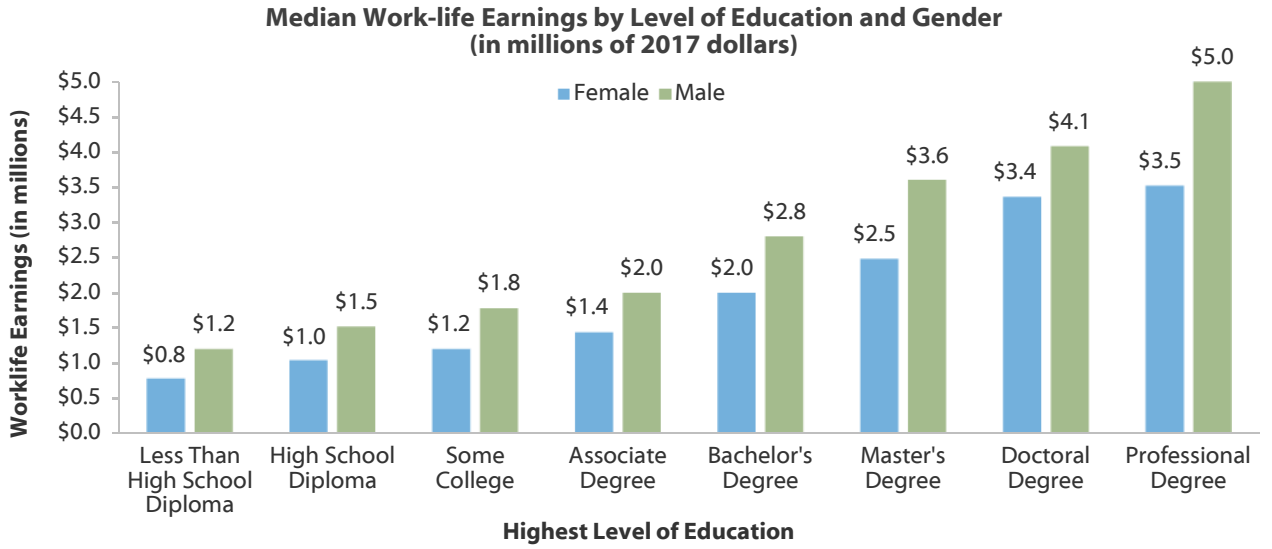
More evidence for the economic value of education comes from the U.S. Bureau of Labor Statistics. For November 2018, the unemployment rate of workers age 25 and older who had not completed high school stood at 5.6 percent. The unemployment rate for high school graduates was 3.5 percent, while the unemployment rate for those with a bachelor's degree and higher was 2.2 percent.

Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," November 2018 (http://www.bls.gov/news.release/empsit.t04.htm); Earnings: U.S. Census Bureau, American Community Survey 2017 (http://www.census.gov/programs-surveys/acs/data/pums.html)

Better-Educated Workers Have Higher Lifetime Earnings



The difference in the salary earned by higher- and lower-credentialed workers compounds over a lifetime. The estimated earnings during the work-life (approximately 40 years) of a worker who did not complete high school is about $1 million. Completing high school increases median lifetime earnings by about $300,000, and completing a bachelor's degree raises median lifetime earnings to $2.4 million. Post-graduate education pays off even more; workers with a professional degree, such as doctors and lawyers, can expect over the course of their work-lives to earn an additional $1.8 million over what workers with a bachelor's degree will earn. Higher levels of education typically offer increased lifetime earnings, but they also allow for more earning *variability*, as shown by the wider income ranges for the higher levels of education, suggesting the importance of quality career guidance.

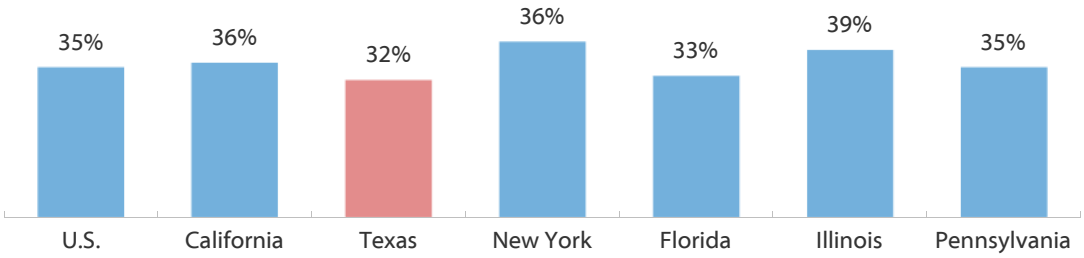


Lifetime earnings differences based on education show earnings gaps by gender. For example, women, must earn at least a bachelor's degree to make as much as men with some college or an associate degree, on average.

Earnings: U.S. Census Bureau, American Community Survey 2017 (http://www.census.gov/programs-surveys/acs/data/pums.html)

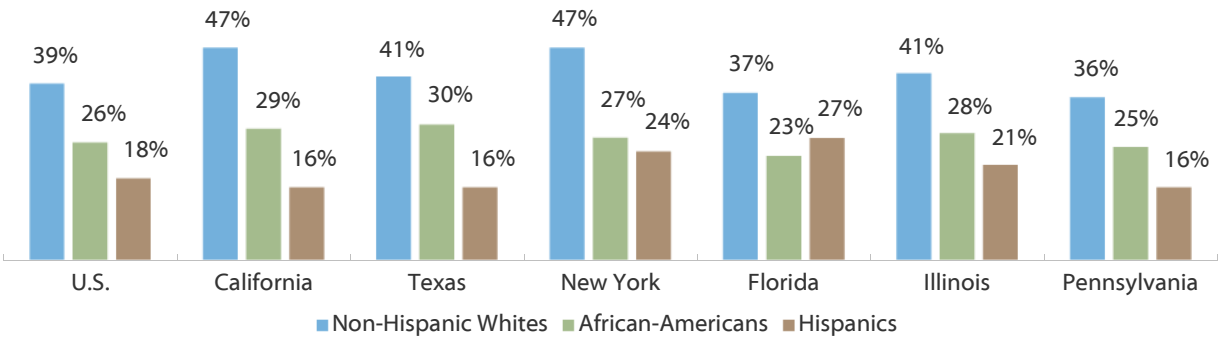
One-third of Texans Age 25 and Older Have a Bachelor's Degree

Population Age 25 and Older with a Bachelor's Degree or Higher (2018)



States shown in order by size of population

Population Age 25 and Older with a Bachelor's Degree or Higher by Race/Ethnicity (2018)



States shown in order by size of population

Texas is slightly lower than the nation in the percentage of people who have completed a bachelor's degree or higher. U.S. Census Bureau data show that in 2018 about 32 percent of Texans age 25 and older had obtained a bachelor's degree or higher, compared to 35 percent of adults nationwide. Among the six most populous states, Texas has the lowest percentage of the overall population age 25 and older with a bachelor's degree or higher.

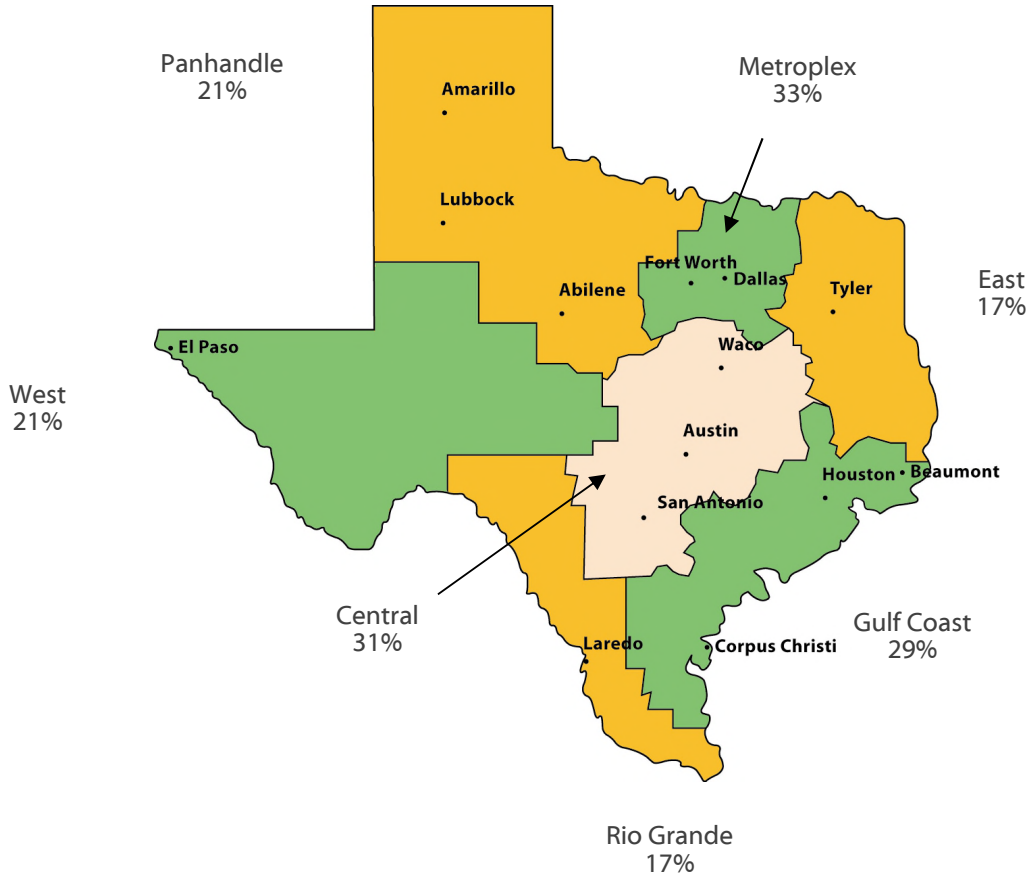
By race/ethnicity, U.S. Census Bureau data also show that:

- In Texas, Hispanics are the least likely to have a bachelor's degree. Only 16 percent of Hispanics age 25 and older have a bachelor's degree or higher, compared with 41 percent of Non-Hispanic Whites.
- The percentage of African-Americans in Texas who have a bachelor's degree is 11 percentage points lower than that of Whites. This gap has decreased by 4 percentage points since 2017.
- Among the six largest states, Texas is tied for second in the percentage of Whites with a degree and ties for last for Hispanics.

Source: U.S. Census Bureau, Current Population Survey 2018. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement (https://www.census.gov/cps/data/cpstablecreator.html).

Texas Educational Attainment Levels Vary by Region

Population Age 25 and Older with a Bachelor's Degree or Higher (2016)

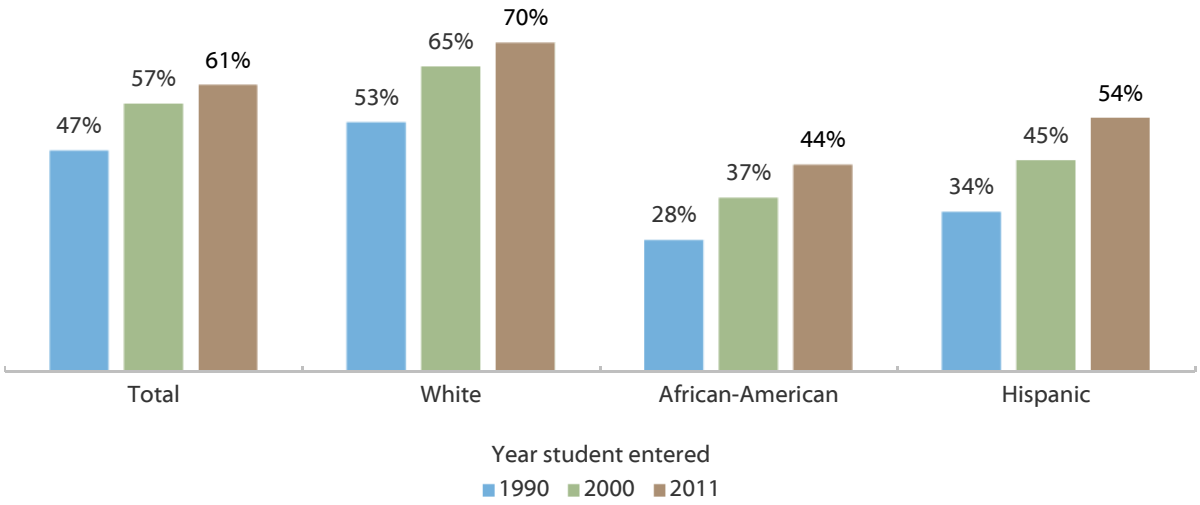


Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex region, 33 percent of people age 25 and older have a bachelor's degree or higher. In Central Texas, home to the state's two flagship universities, 31 percent of adults have a bachelor's degree or higher, and in the Gulf Coast region, 29 percent have a bachelor's degree or higher. However, educational attainment levels drop off in other areas of the state. The East Texas, West Texas, and Panhandle regions all record lower levels of educational attainment, and in the Rio Grande Valley and East Texas regions, the percentage of college graduates is about half that in the Metroplex region.

Source: U.S. Census Bureau, American Communities Survey, 2016 Five-Year Estimates, Washington, D.C. (http://www.census.gov/acs/www/)

Graduation Rates in Texas Rising, But Remain Stratified by Race/Ethnicity

First-time Freshmen Who Entered a Texas Public University and Received a Bachelor's Degree within Six Years, by Ethnicity

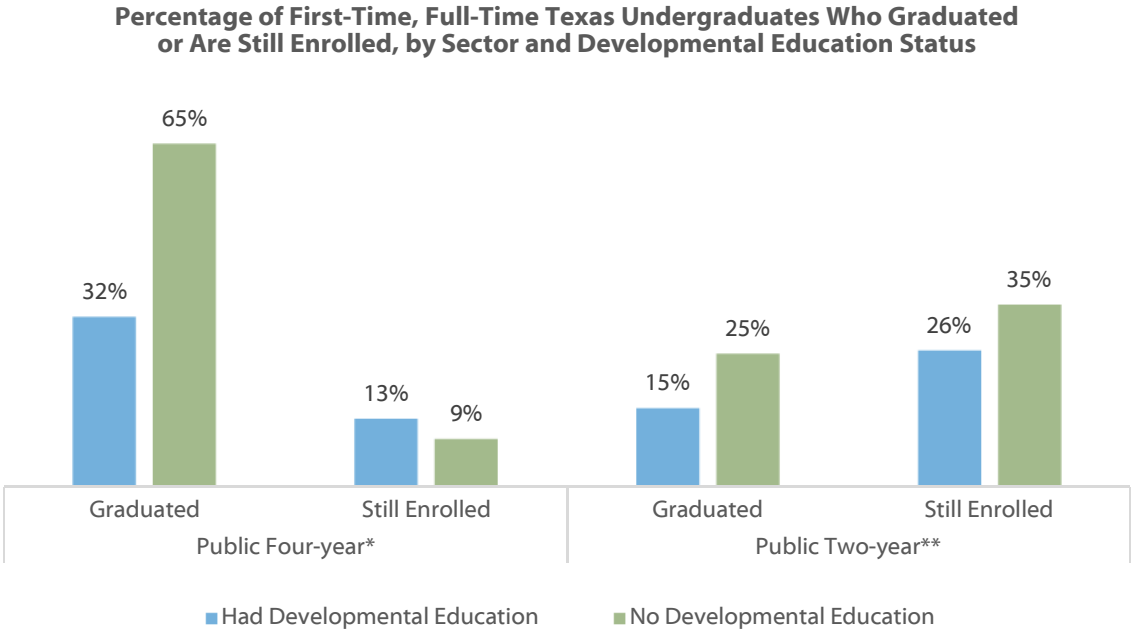


College graduation rates in Texas are rising but remain stratified by ethnicity. About 61 percent of first-time (in college), full-time freshmen who entered a Texas public university in 2011 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 70 percent of Whites to 54 percent of Hispanics to 44 percent of African-Americans. The six–year graduation rates have risen over the past two decades for all racial and ethnic groups.

As of Fiscal Year (FY) 2013, only 27.6 percent of freshmen in Texas graduate in four years. Most undergraduates in the U.S. take more than four years to complete a bachelor's degree. In 2013, only 38.7 percent of students nationally completed a degree within 4 years. Reasons for this vary, but include that the student may be: 1) pursuing a degree that requires more than 120 credit hours; 2) pursuing more than one degree; 3) changing his or her degree plan or major; 4) taking extra courses beyond those needed to graduate; 5) leaving or "stopping out" of school for brief periods; or 6) transferring from one institution to another. In addition, many students may attend school part time and work long hours in order to cut costs.

Sources: National 4-year Graduation rates (2013): The Chronicle of Higher Education. College Completion. https://collegecompletion.chronicle.com/state/#state=ny&sector=public_four; Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates (http://www.txhighereddata.org/index.cfm?objectid=27718BD7-BD77-2355-39495E1FB4605755).

Texas Undergraduates Who Took Developmental Education Courses Were Less Likely to Graduate



Texas students who took one or more developmental education courses were less likely to have graduated compared to their peers who did not take developmental education courses at both public four-year and public two-year institutions. In the public four-year sector, developmental education students were a little more likely to still be enrolled six years after entering postsecondary education whereas the opposite was true in the public two-year sector three years after starting college.

* In 2017 for first-time, full-time students entering in fall 2011.

** In 2017 for first-time, full-time students entering in fall 2014.

Source: Texas Higher Education Coordinating Board (THECB), Graduation and Persistence of Developmental Education Students (http://www.txhighereddata.org/index.cfm?objectId=200A40A0-E156-11E8-BB650050560100A9).

Texas Ranks Low in Percentage of Young Adults with a Bachelor's Degree or Higher

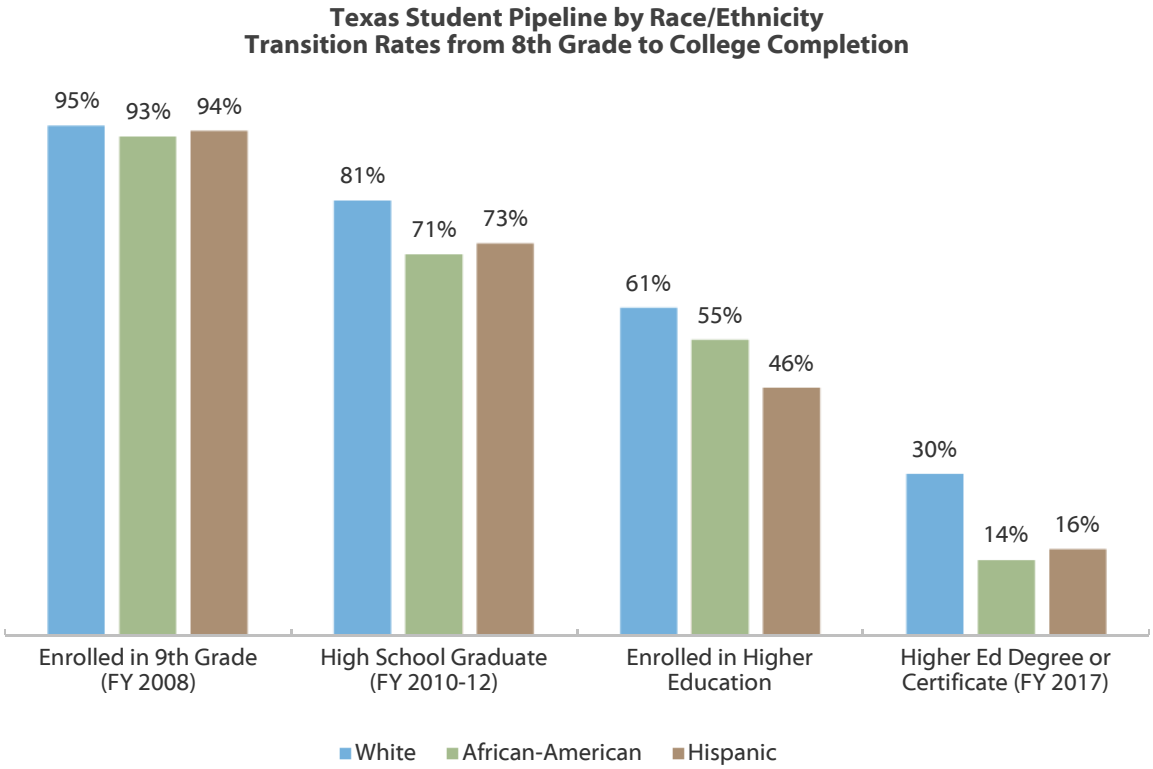
Percentage of Young Adults in 2017 (Ages 25-34) With a Bachelor's Degree or Higher

U.S. States	%	OECD Countries
Massachusetts • Connecticut	↑	Lithuania
	50	Switzerland • Luxembourg
New York • New Hampshire • Colorado		
Illinois	48	Korea
Virginia		
	46	Iceland
Maryland		Belgium • Netherlands • Ireland
Pennsylvania	44	United Kingdom • Poland
New Jersey • Tennessee • Michigan		Estonia
Washington	42	
Vermont • Oregon		Denmark • Greece • Finland
Ohio • California	40	New Zealand • Australia • Japan
		United States
Iowa	38	
Delaware • Kansas • Rhode Island		**OECD Average** • Slovenia
Minnesota • Georgia • Nebraska • Missouri	36	Sweden • Canada • Israel • Russian Federation • Latvia • Norway
South Dakota • South Carolina • Kentucky • Montana • **Texas** • Idaho		Slovak Republic
Hawaii • Utah • Maine	34	Czech Republic • Portugal
Florida • North Carolina • Arizona • Wisconsin	32	
		Germany
North Dakota • Alabama • Oklahoma	30	France
Louisiana • Arkansas		Spain
	28	Colombia
West Virginia		Hungary • Italy
Wyoming • Indiana • Alaska	26	Saudi Arabia
Mississippi		Austria
	24	
		Turkey
New Mexico	22	Mexico
Nevada		Chile
	20	
		Costa Rica
	18	Argentina
	↓	Brazil • India • Indonesia • China • South Africa

The U.S. is often compared to other countries in the Organization for Economic Co-operation and Development (OECD) when measuring educational attainment. However, within the United States, each individual state can have very different education systems. Disaggregating attainment by individual U.S. states highlights the variance between state education systems in attainment percentages. The U.S. average for young adults (ages 25-34) with a bachelor's degree or higher is 39 percent, slightly higher than the OECD average of 37 percent and 4 percentage points higher than the Texas average. These rankings can change significantly when comparing attainment levels of an associate degree or higher.

Source: OECD (2018), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris.
DOI: http://www.oecd.org/education/education-at-a-glance/; U.S. Census Bureau, Current Population Survey 2018. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement (http://www.census.gov/hhes/www/cpstc/cps_table_creator.html.
Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.

Many Texas Students Exit the Education Pipeline Toward a Higher Education Degree or Certificate at Transition Points

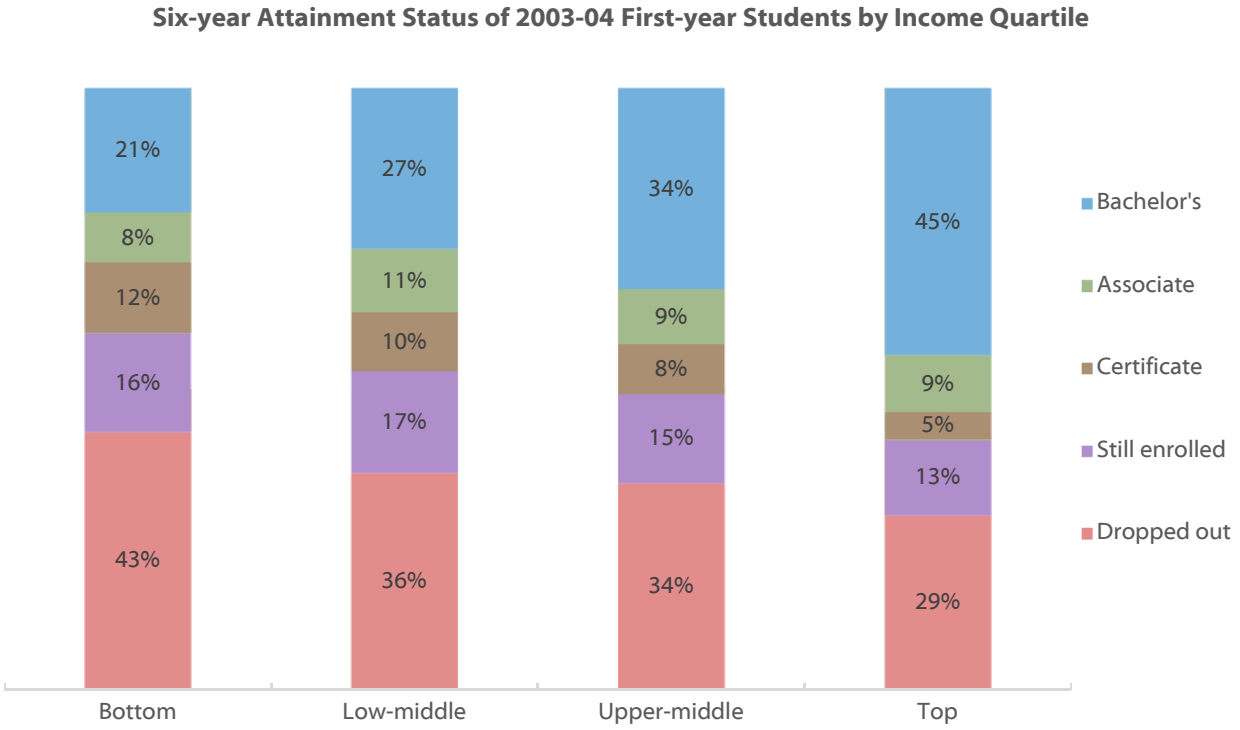


The student pipeline is one way to observe the path that Texas students take towards earning a postsecondary credential. The pipleine highlights the major transition points where many students drop out of the system. Simply focusing on student success after high school is an insufficient strategy to increase the number of postsecondary credentials. Instead, a strategy of promoting student achievement at every level of the educational pipeline has a better chance of increasing degree attainment.

At every stage of the student pipeline, larger percentages of Hispanic and African-American students exited compared to White students. Whereas 61 percent of White 8th graders in 2007 enrolled in higher education directly following high school graduation, only 55 and 46 percent of African American and Hispanic 8th graders enrolled, respectively. Reducing these disparities is essential to making the attainment gains Texas needs for a skilled and competitive workforce, because these gains will most easily be found in underserved populations. For all student groups, those who enrolled in higher education but did not complete a degree or certificate represented the largest drop-off in the student education pipeline.

Source: Texas Higher Education Coordinating Board, Regional Topic Data Tabs: 8th Grade Cohort and HS to College Data, 2017 (http://www.txhighereddata.org/reports/performance/regions/). TEA and National Student Clearinghouse data used by THECB. Out-of-state graduate total not shown, because current NSC data collection extends only into 2006.
Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.

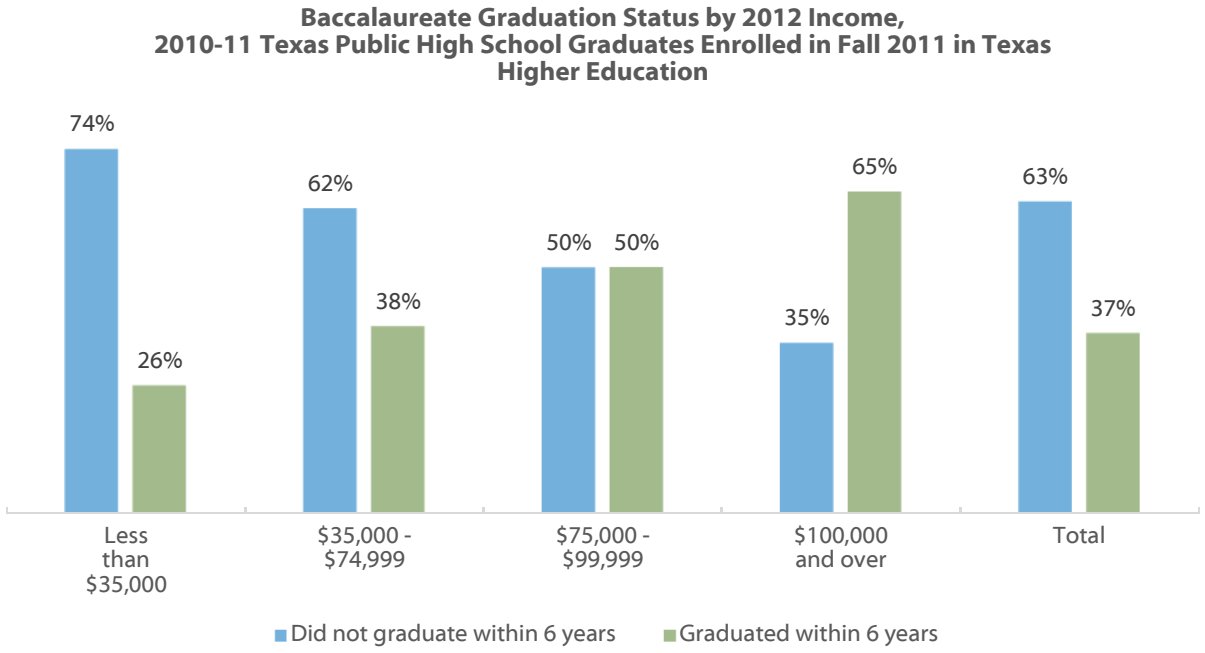
More Than 40 Percent of Low-Income Students Nationwide Dropped Out Within Six Years of Starting College



Nationwide among postsecondary students who started college in academic year (AY) 2003-04, nearly half of those in the top income quartile had earned a bachelor's degree within six years while nearly half of those in the bottom income quartile had dropped out.

Source: U.S. Department of Education, National Center for Education Statistics, 2004/2009 Beginning Postsecondary Students Longitudinal Survey (BPS: 04/09) (https://nces.ed.gov/surveys/bps/).

Low-Income Texas Students are Far Less Likely to Obtain Bachelor's Degree Than High-Income Peers



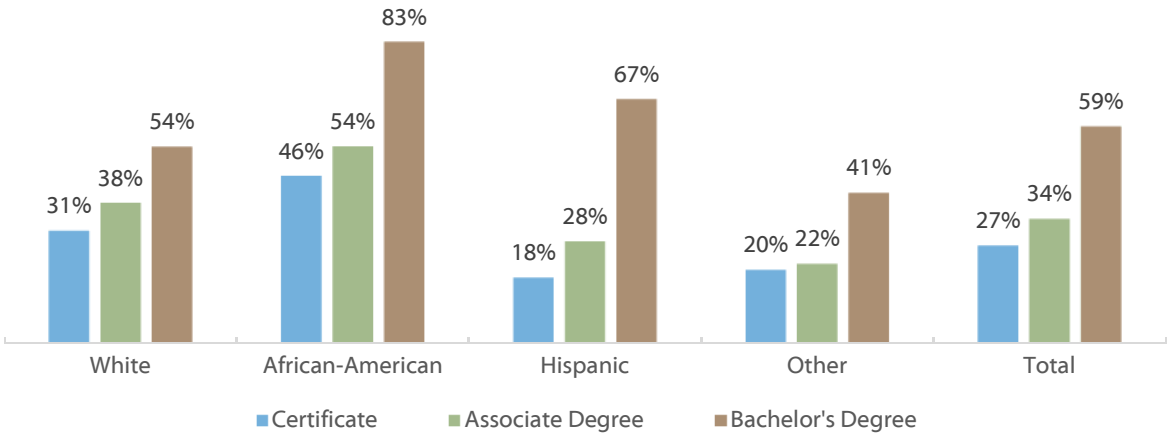
Only a quarter of Texas baccalaureate students with incomes below $35,000 had graduated within six years, compared to two-thirds of students with six-digit incomes. Students with low incomes are more likely to have unmet need, which is the amount that students and/or their families must cover over and above all grants, scholarships, work-study, loans, and expected family contribution*.

*Expected family contribution is determined through a federal formula that considers family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

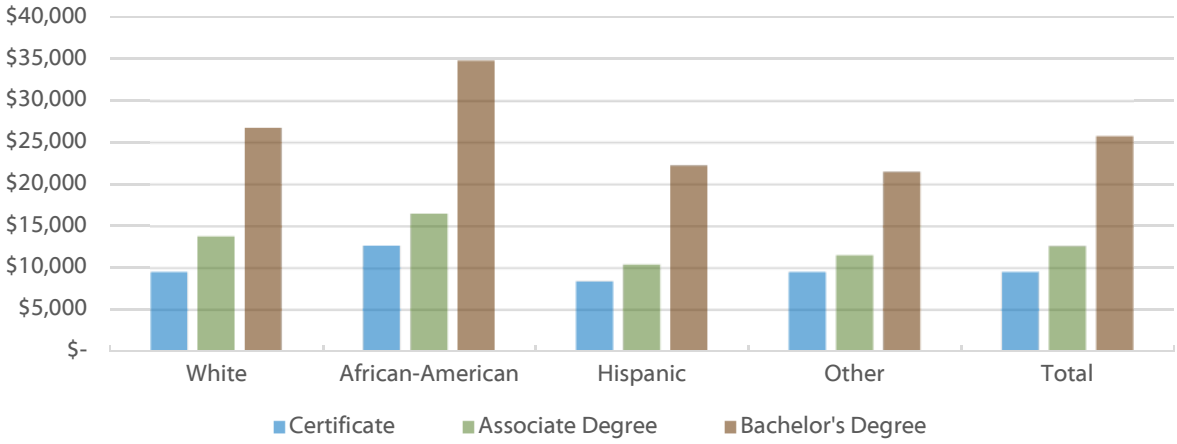
Source: Texas Higher Education Coordinating Board (THECB), "Baccalaureate Graduation Status within Six Years by Income Range" (unpublished tables; special request).

More than 4 in 5 African-American Texas Bachelor's Degree Graduates Had Borrowed Student Loans

Percentage of Texas Graduates with Student Loans, by Degree Level and Race/Ethnicity (FY 2017 Graduates)



Median Loan Amount For Texas Graduates with Student Loans, by Degree Level and Race/Ethnicity (FY 2017 Graduates)

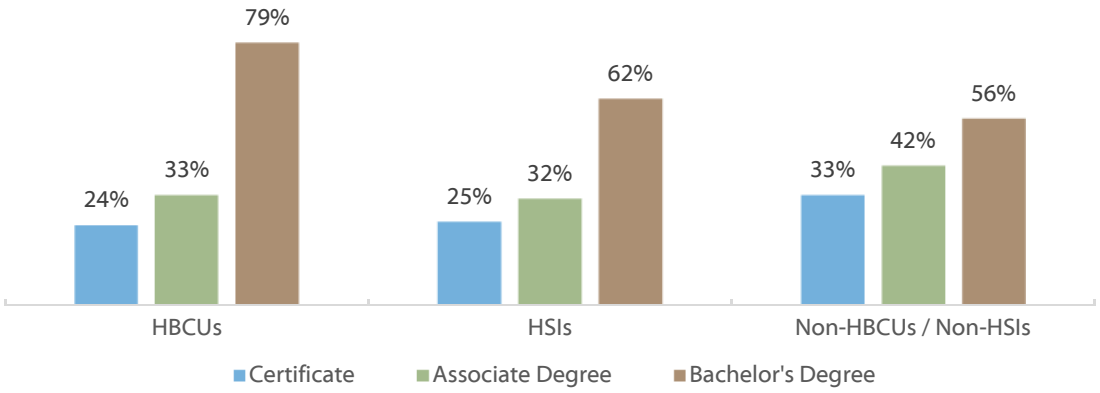


Bachelor's degree recipients in Texas who graduated in fiscal year (FY) 2017 were more likely to borrow and borrowed larger cumulative amounts compared to Certificate and Associate degree recipients. African-American students were particularly likely to borrow and to have a larger cumulative amount compared to students of other races/ethnicities, with 83 percent of African-American Bachelor's degree recipients borrowing a median of nearly $35,000.

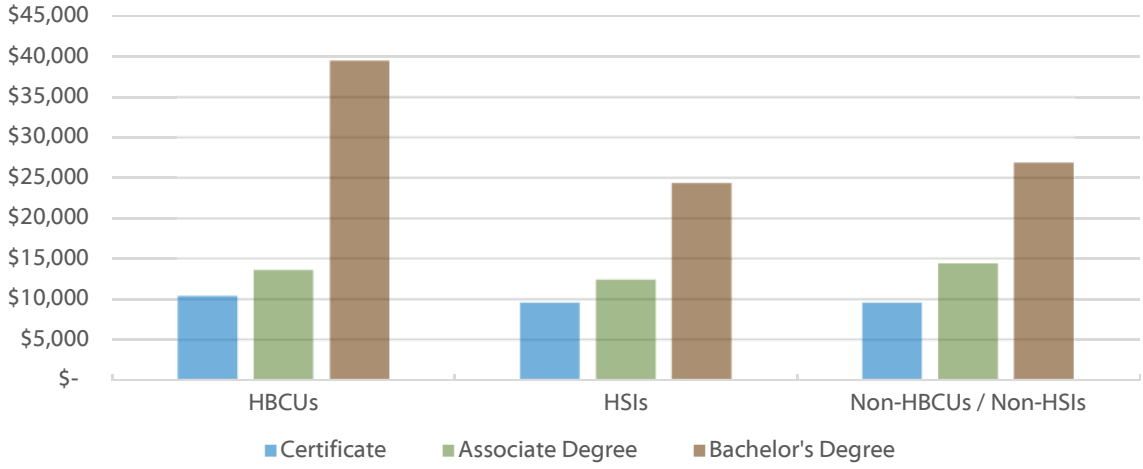
Source: Texas Higher Education Coordinating Board (THECB), "Median Indebtedness by Degree Level and Race/Ethnicity" (unpublished tables; special request).

HBCU Bachelor's Degree Recipients Borrowed a Median Cumulative Amount of Nearly $40,000

Percentage of Texas Graduates with Student Loans, by Degree Level and School Group (FY 2017 Graduates)



Median Loan Amount for Texas Graduates with Student Loans, by Degree Level and School Group (FY 2017 Graduates)



Graduates of institutions that weren't Historically Black Colleges and Universities (HBCUs) or Hispanic-Serving Institutions (HSIs) had a higher percentage of borrowers among Certificate and Associate degree recipients than those at HBCUs or HSIs, but a lower percentage of borrowers among Bachelor's degree recipients than those at HBCUs or HSIs. The median cumulative amount borrowed between the three school groups were relatively similar except for Bachelor's degree recipients at HBCUs, who had a median cumulative amount of nearly $40,000 in student loans.

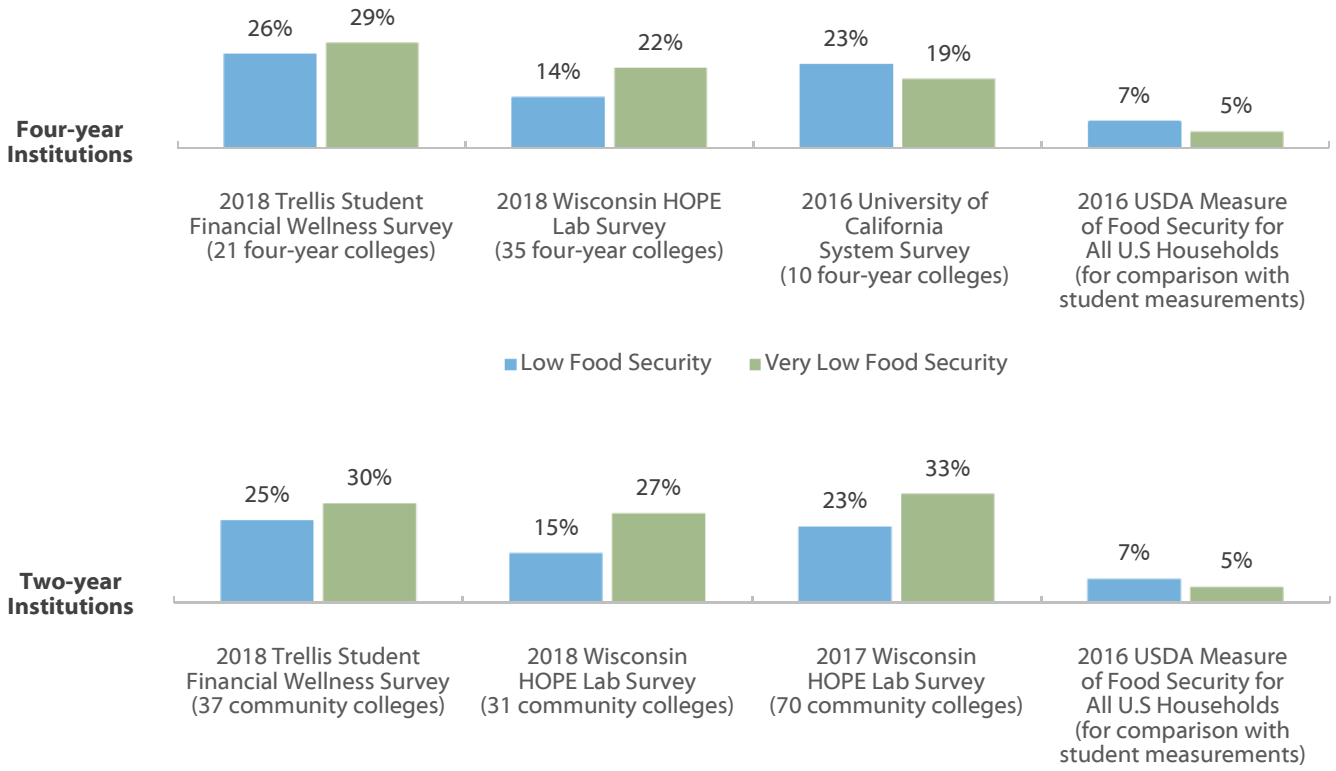
Source: Texas Higher Education Coordinating Board (THECB), "Median Indebtedness by Degree Level and School Group" (unpublished tables; special request).

SECTION 9

Student Financial Wellness

Recent Studies of Food Security Amongst College Students find Similar, High Levels of Food Insecurity

Recent Studies of Food Security Amongst College Students Using the U.S. Department of Agriculture Scale



A growing body of research has explored the degree to which postsecondary students are struggling to meet their basic needs, such as housing and food. While more research is needed to explore the extent to which basic needs insecurity affects student success, it is reasonable to assume that students who struggle with hunger, nutrition, and/or finding safe shelter will have a more difficult path to earning a degree. The measurement tool designed by the United States Department of Agriculture (USDA) defines low food security as "reports of reduced quality, variety, or desirability of diet" and very low food security as "reports of multiple indications of disrupted eating patterns and reduced food intake." While no nationally representative research is available for food insecurity among college students, a number of studies have found similar, troubling levels.

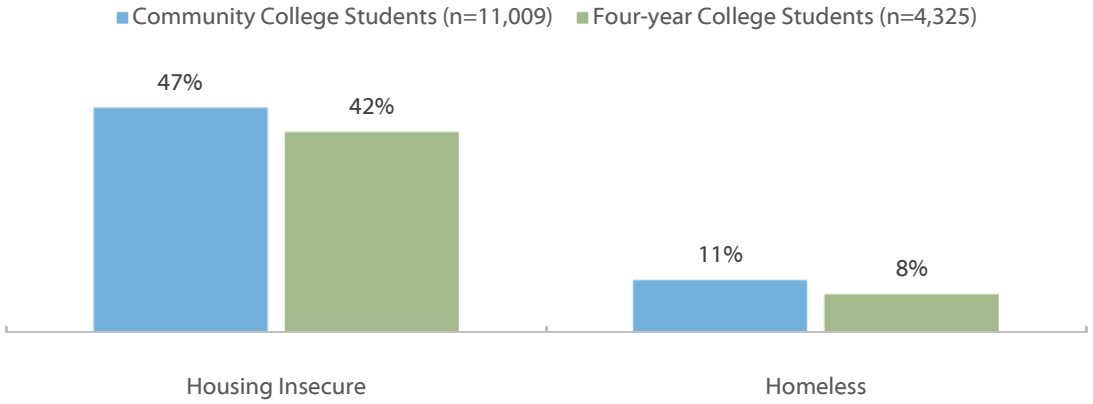
In the Fall 2018 Student Financial Wellness Survey (SFWS) from Trellis Company, but researchers found that 55 percent of students at four-year colleges and community colleges experience low or very low food security. The survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions. These results were similar to findings from studies by the HOPE Center for College, Community, and Justice, as well as a University of California System survey of food security. Greater food insecurity amongst the four-year institution cohort in the Trellis study may be explained by the participating institutions that tended to serve under-resourced students at higher rates than average four-year institutions.

Sources: United States Department of Agriculture (USDA). 2017. Definitions of food security. https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security/; Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research; Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady, C. (2018). Still Hungry and Homeless in College. Wisconsin HOPE Lab. https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf; Goldrick-Rab, S., Richardson, J., & Hernandez, A. (2017). Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education. Wisconsin HOPE Lab. https://hope4college.com/wp-content/uploads/2018/09/Hungry-and-Homeless-in-College-Report.pdf; Martinez, S., Maynard, K., & Ritchie, L. (2016). Student food access and security study. University of California Global Food Initiative. http://regents.universityofcalifornia.edu/regmeet/july16/e1attach.pdf; Coleman-Jensen, A. Rabbitt, M. Gregory, C. & Singh, A. 2017. Household Food Security in the United States in 2017, ERR-237, U.S. Department of Agriculture, Economic Research Service. https://www.ers.usda.gov/webdocs/publications/90023/err-256.pdf?v=0.

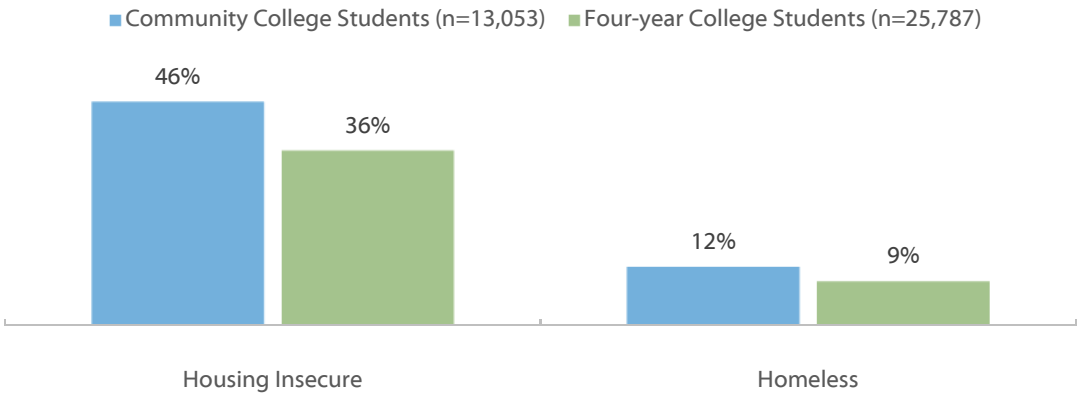
Almost Half of Community College Students are Housing Insecure

Housing Security and/or Homelessness within Prior Twelve Months at Community and Four-year Colleges

Trellis' Fall 2018 Student Financial Wellness Survey



Wisconsin HOPE Lab's 2018 Survey of Basic Needs



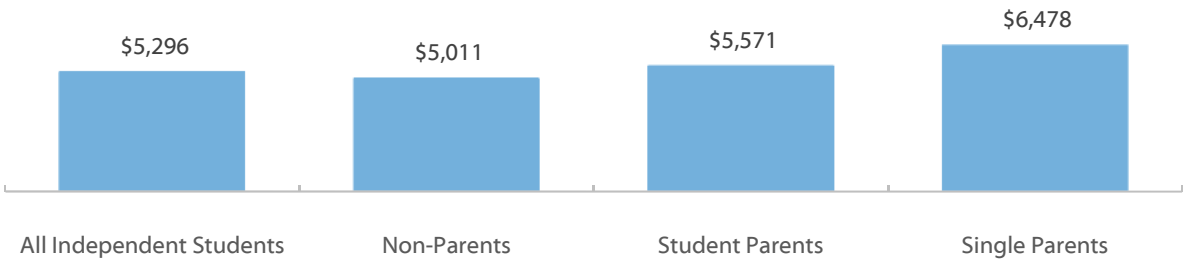
Recent studies by Trellis and the HOPE Center for College, Community, and Justice have found similar, high levels of housing insecurity and homelessness among college students. Being homeless or "without a place to live, often residing in a shelter, an automobile, an abandoned building, or outside" can make an already challenging college experience even more difficult. Housing insecurity, including inability to pay full housing costs and moving in with others due to financial issues, is less severe, but can also make the college experience difficult. As the cost of college rises, basic needs security may become a barrier to success for more students. Some colleges are addressing housing issues with emergency grants, temporary housing, and partnerships with local organizations to provide rental assistance to students.

Trellis' Fall 2018 Student Financial Wellness Survey found 47 percent of community college students and 42 percent of four-year college students experienced housing insecurity in the previous 12 months. The Trellis study found that 11 percent of community college students and eight percent of four-year students experienced homelessness in that same time period. The survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions. The 2018 study by the HOPE Center for College, Community, and Justice found similar results as Trellis' Student Financial Wellness Survey.

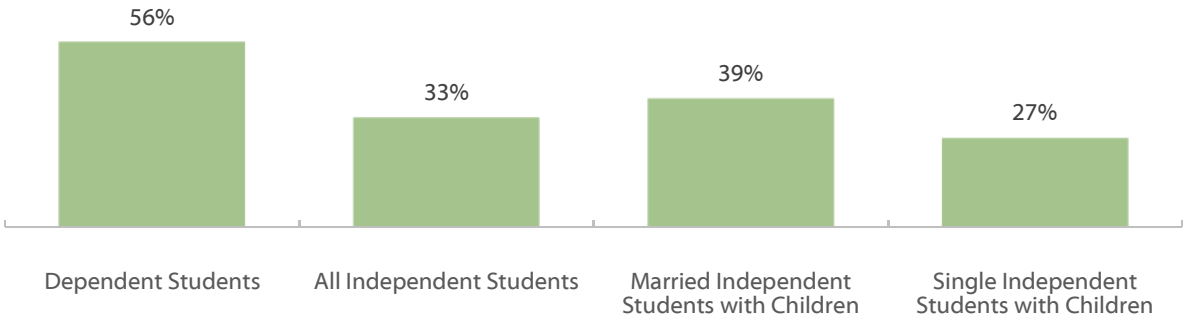
Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research; Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady, C. (2018). Still Hungry and Homeless in College. Wisconsin HOPE Lab. https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf; U.S. News and World Report (February 27, 2018). A New Focus on College Campuses: Ending Housing Insecurity. https://www.usnews.com/news/education-news/articles/2018-02-27/campus-focus-on-solving-housing-insecurity-helping-homeless-students.

A Quarter of Students Support a Family While in School

Average Unmet Need* For AY 2011-12 Among Independent College Students Nationally by Dependency, Parental, and Marital Status



Percent Completing a Degree or Certificate Within Six Years (2011-12)



Taking care of children while trying to earn a degree can be challenging. According to an analysis of Academic Year (AY) 2011-12 U.S. Department of Education data by the Institute for Women's Policy Research, around 4.8 million students (26% of all students) are parents with dependent children. Students with children have, on average, around $560 more in unmet need* than other independent students, and single parents have almost $1,500 more in unmet need.* Students who are single parents have a lower six-year graduation rate (27%) than other independent students (33%), much lower than married students with children (39%). Nearly 8 in 10 single parents attending college are single mothers.

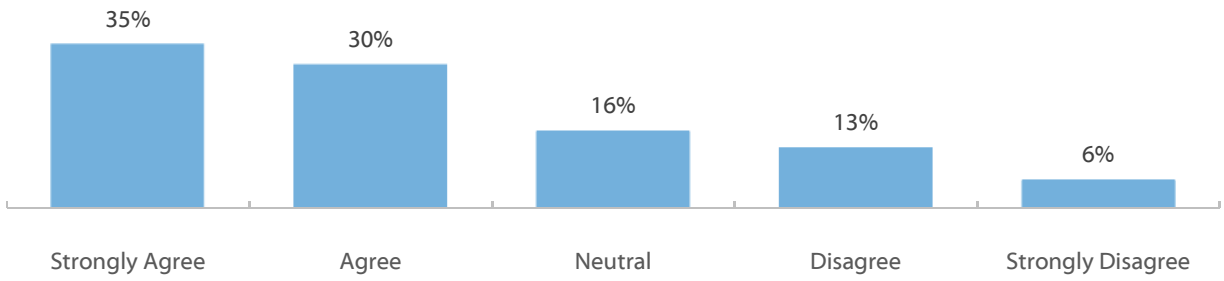
Most independent students worked while attending college in AY 2011-12 (more than two thirds), and 31 percent of independent students worked full time while enrolled. While working can help relieve financial stress, working an excessive number of hours while enrolled in college can hinder class attendance and studying, and can reduce the chances of graduating.

* Unmet need is the gap that remains between a student's resources and his/her total cost of attendance even after accounting for grants, federal loans, and expected family contribution (the formulaically-determined amount that the student can be expected to pay out of pocket).

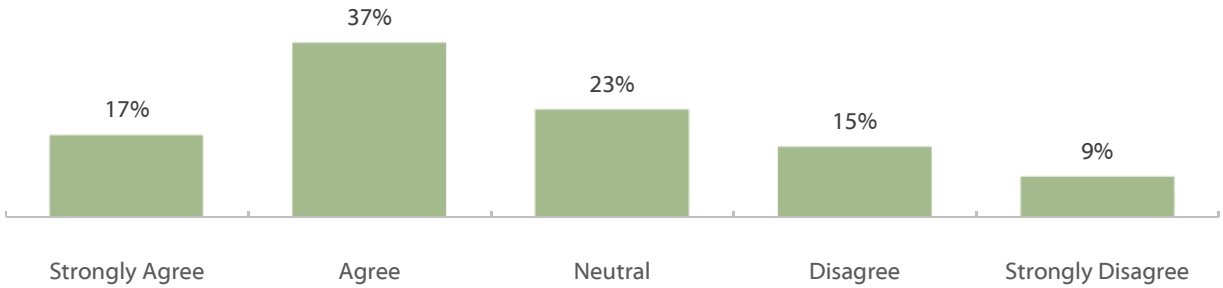
Source: Understanding the New College Majority: The Demographic and Financial Characteristics of Independent Students. (February 2018). Institute for Women's Policy. Retrieved at: https://iwpr.org/wp-content/uploads/2018/02/C462_Understanding-the-New-College-Majority_final.pdf.

More Than Half of Students Have Concerns About Affording College

Fall 2018 Student Financial Wellness Survey
Q52: I worry about having enough money to pay for school. (n=15,994)



Fall 2018 Student Financial Wellness Survey
Q53: I know how I will pay for college next semester. (n=15,967)



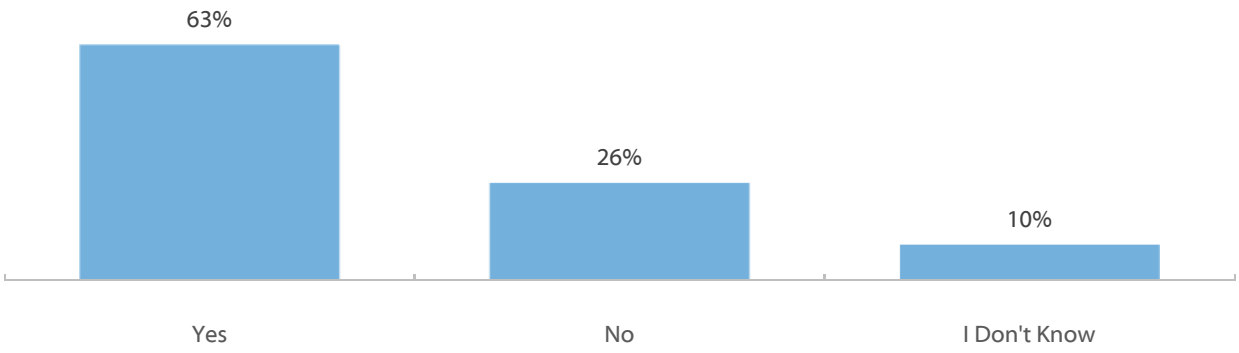
There is growing recognition that the interplay of student collegiate finances and academic performance influences key student outcomes like retention and graduation. It is common practice for a student to develop an academic plan for college, but often there is no accompanying financial plan to help the student plan for the high direct and indirect costs of college. With these costs, those students with financial challenges may find themselves unsure of whether they can or should re-enroll in their next semester.

In Trellis' Fall 2018 Student Financial Wellness Survey, many students surveyed signaled concerns about being able to afford college. Almost two in three respondents either agreed (30 percent) or strongly agreed (35 percent) that they worry about having enough money to pay for school. Almost a quarter of respondents (24 percent) disagreed or strongly disagreed that they knew how they would pay for college next semester. The survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions.

Source: Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research.

Nearly Two-Thirds of Students Would Have Trouble Getting $500 to Meet an Unexpected Need

Fall 2018 Student Financial Wellness Survey
Q45: Would you have trouble getting $500 in cash or credit in order to meet an unexpected need within the next month? (n=16,059)



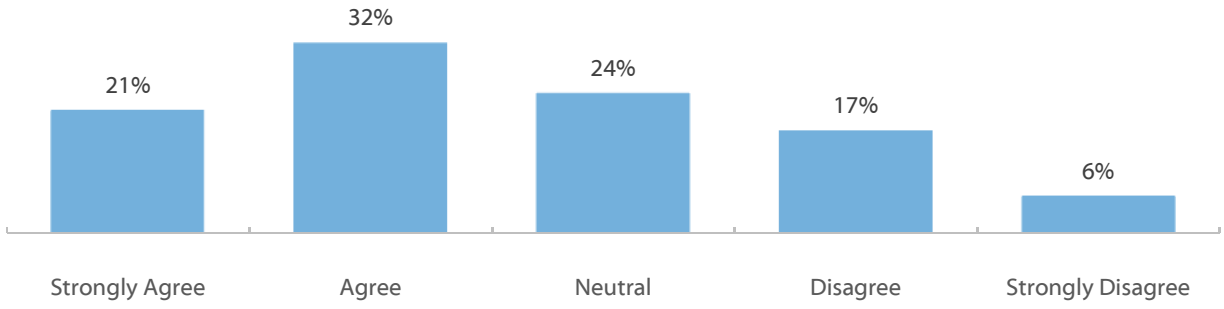
For students on tight budgets, persisting in school often depends on financial plans that go smoothly, as even modest disruptions due to accidents, illness, or unanticipated expenses can impede success. Cash-strapped students face these contingencies with fewer options than their more affluent peers, often engaging in extreme frugality and untenable work schedules that threaten their health and diminish their learning experiences. For students who are financially vulnerable, a relatively small expense can force difficult decisions around staying enrolled in college.

Nearly two-thirds of respondents (63 percent) from Trellis' Fall 2018 Student Financial Wellness Survey indicated they would have trouble getting $500 in cash or credit in an emergency. The survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions. Given students' financial vulnerability and lower confidence in paying for college, student success initiatives could benefit from financial components such as emergency aid programs that provide small dollar grants to students in financial emergencies. These types of interventions have improved student retention.

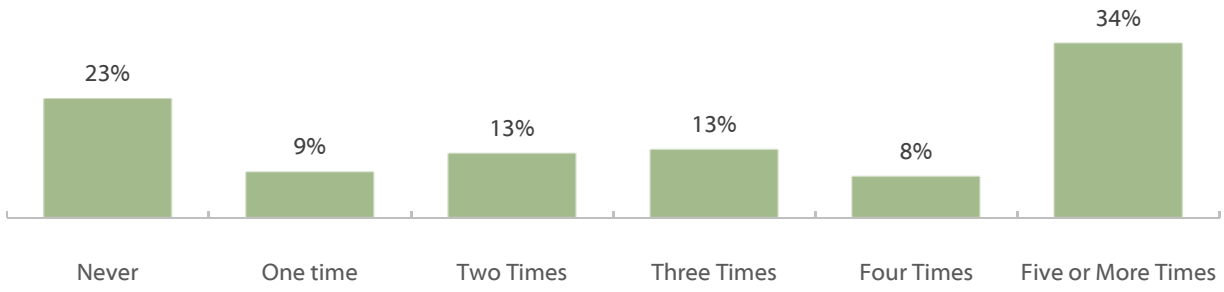
Sources: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research; Kruger, K., Parnell, A., & Wesaw, A. 2016. "Landscape analysis of emergency aid programs." National Association of Student Personnel Administrators (NASPA). https://www.naspa.org/images/uploads/main/Emergency_Aid_Report.pdf.

More Than Half of Students Express Concern About Affording Monthly Expenses; More Than Three-Quarters are Running Out of Money at Least Once Annually

Fall 2018 Student Financial Wellness Survey
Q51: I worry about being able to pay my current monthly expenses. (n=16,004)



Fall 2018 Student Financial Wellness Survey
Q46: In the past 12 months, how many times did you run out of money? (n=16,035)



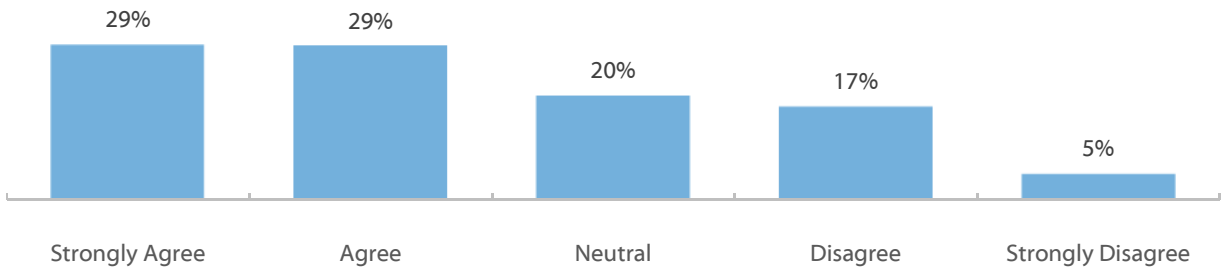
Some of the anxiety around paying for school may be driven by students' concern for their day-to-day expenses. More than half of respondents in Trellis' Fall 2018 Student Financial Wellness Survey worried to some degree about paying for their current monthly expenses (53 percent agree or strongly agree).

It takes careful planning for students to meet their expenses and manage a limited, often uncertain, cash flow while attending school. More than three-quarters of respondents (77 percent) reported running out of money at least once in the past 12 months, and more than half (55 percent) reported running out of money three or more times. Alarmingly, more than a third of respondents (34 percent) reported running out of money five or more times over the past year. The Student Financial Wellness Survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions.

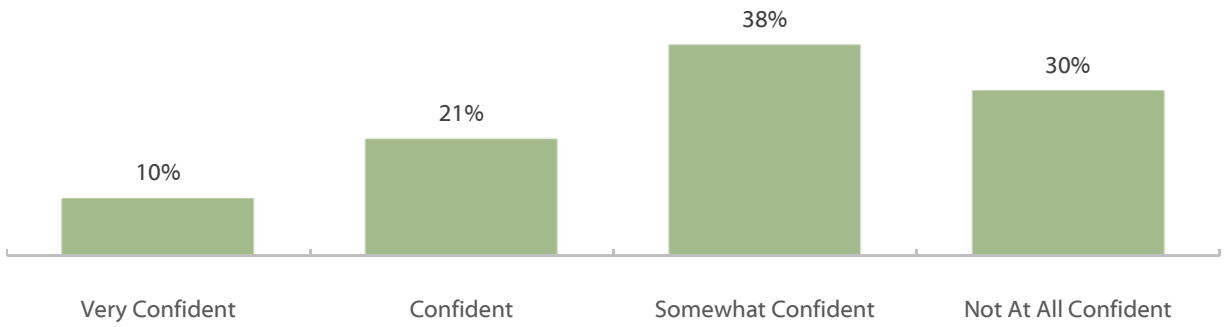
Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research.

More Than Two-thirds of Students are Less Than Confident They Can Pay Off the Debt Acquired

Fall 2018 Student Financial Wellness Survey
Q69: I have more student loan debt than I expected to have at this point. (of respondents with student loans, n=6,323)



Fall 2018 Student Financial Wellness Survey
Q70: How confident are you that you will be able to pay off the debt acquired while you were a student? (of respondents with student loans, n=6,329)

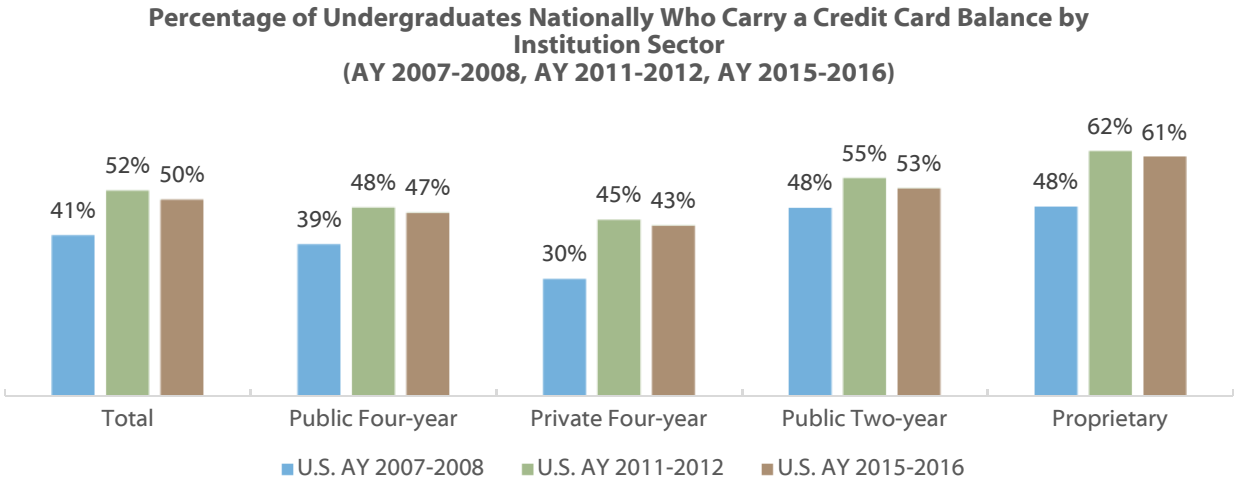


Paying for college often involves piecing together money from a variety of sources, including federal, state, institutional, and private grants, family support, personal income, savings, and various loan products. Research indicates that half of all students borrow in their first year of college, and half of the remaining students borrow within six years of enrolling.

Estimating college expenses can be difficult, especially for students who are the first in their families to attend college. More than half of respondents (58 percent) in Trellis' Fall 2018 Student Financial Wellness Survey who borrowed agreed or strongly agreed with the statement that they had more student loan debt than they expected at this point. Many students borrow with no confidence in their ability to repay. More than two-thirds of respondents who borrowed were not at all confident (30 percent) or only somewhat confident (38 percent) they would be able to pay off the debt acquired while they were a student. The Student Financial Wellness Survey was open to any college that wanted to participate, and of the 58 colleges in the study, 37 were community colleges and 21 were four-year institutions.

Sources: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2018 Unpublished Tables. Trellis Research; Gladieux, L., & Perna, L. (2005). *"Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend."* The National Center for Public Policy and Higher Education.

Students at Proprietary Institutions Most Likely to Carry Outstanding Credit Card Balance



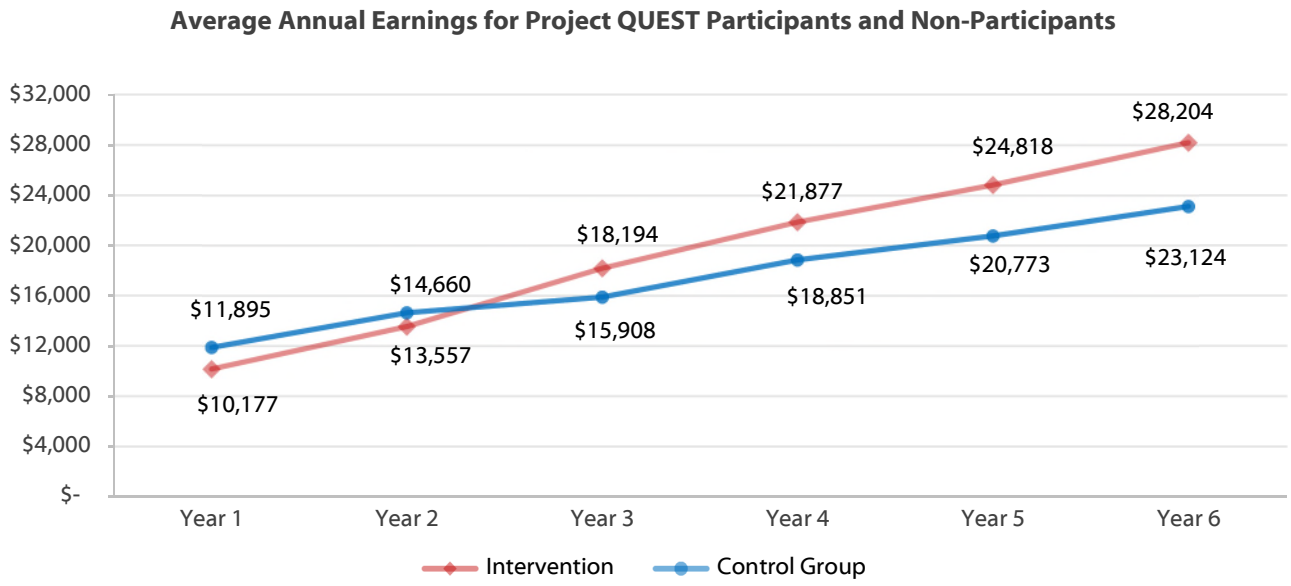
Students at public two-year and at proprietary institutions were more likely to carry a credit card balance compared to students attending four-year public or nonprofit institutions. Undergraduates in all sectors were considerably more likely to carry credit card debt in award year (AY) 2011-2012 and AY 2015-2016 than in AY 2007-2008. This increase likely has several causes: more expensive tuition costs, reductions in funding for state and institutional aid programs, and economic factors like low wages. As of AY 2011-2012, 52 percent of undergraduates nationally carried balances on their credit cards.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2008", "National Postsecondary Student Aid Study (NPSAS) 2012", and "National Postsecondary Student Aid Study (NPSAS) 2016". (http://www.nces.ed.gov/das/).

SECTION 10

Evidence-Based Programs and Interventions

Interventions to Provide Support and Skills Training Improves Employment Outcomes for Students in Some Two-year Programs



Given cost pressures at colleges, identifying interventions that can have the greatest impact on student success is vital. Research using random controlled trials provides meaningful insight into the extent to which various interventions are effective in promoting desired outcomes.

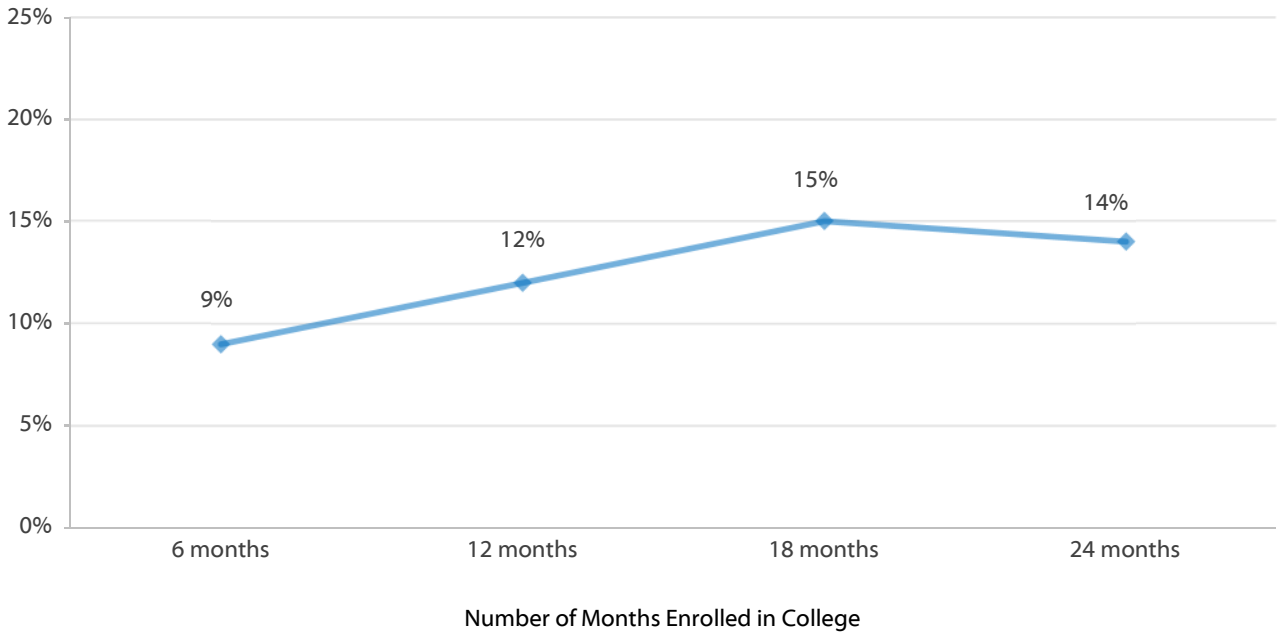
Project Quest is a San Antonio, Texas organization aimed at helping low-income residents complete job-focused higher education programs and become gainfully employed. The organization provides students in specific technical and skill-based programs with a comprehensive suite of support and resources including financial assistance, remedial instruction for placement tests, personal and academic counseling, weekly meetings with a focus on life and study skills, and job placement assistance throughout the student's time pursuing a degree and employment.

In order to evaluate the effectiveness of these resources, Project Quest conducted a randomized trial among students who started services with Project Quest between 2006 and 2008 and followed them for six years. The evaluation focused on those pursuing skilled technical positions in medical fields (e.g., registered nurses, licensed vocational nurses, sonography technicians, etc.). Students who completed the program saw long-term gains in wages and employment, with participants earning over $5,000 more than the control group annually, on average, and experiencing a 15% higher level of year-round employment compared to the control group. These gains were primarily realized during the last half of the six-year observation period, inspiring hope that the wage gap will continue to grow later in the students' careers.

Source: Economic Mobility Corporation, Inc., Escalating Gains: Project QUEST's Sectoral Strategy Pays Off, April 2017 (https://economicmobilitycorp.org/escalating-gains-project-quests-sectoral-strategy-pays-off/).

Individualized Coaching is Effective for Increasing Attainment and Persistence

InsideTrack Student Coaching Evaluation: Persistence Increases Associated with Individualized Coaching, Compared to Control Group



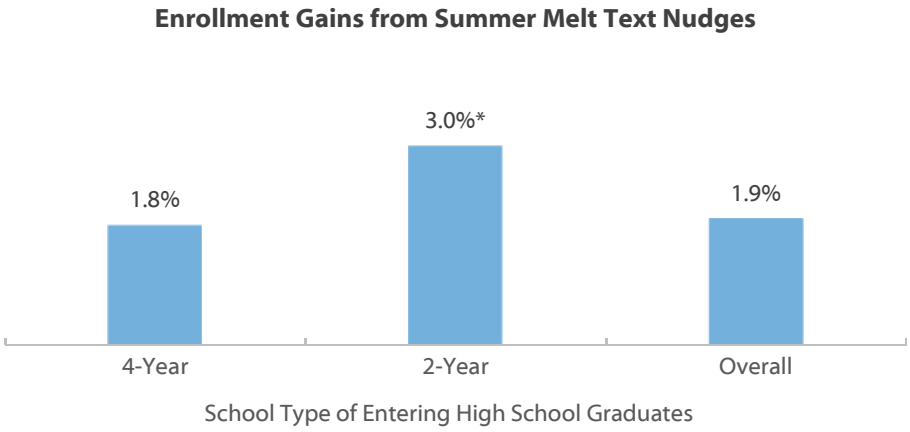
A Portland-based company, InsideTrack, contracts with higher education institutions in all sectors to provide individualized student coaching to improve student success. The company conducted randomized trials at multiple institutions where they randomly divided students at a school into two groups, providing coaching to one group and not to the other, in order to observe the effect of the coaching experience on retention and graduation. The National Bureau of Education Research evaluated many of those experiments, selecting those from the 2003-04 school year, to enable comparisons with certain national survey data, and the 2007-08 school year, as the most current year available at the time of evaluation.

The evaluation found that, when controlling for covariates (i.e. age, gender, high school GPA, SAT score), individualized coaching was associated with an approximately five percent increase in retention after six months, a 12 percent increase after 12 months, and a 14 percent increase after 24 months compared to the control group. Groups receiving coaching also saw levels of completion four percent higher than groups who did not receive coaching.

Individualized student coaching, in addition to more traditional advising financial and academic advising and counseling, has the potential to increase persistence and attainment rates and was more cost effective, in the case of this InsideTrack evaluation, than other previously studied methods of increasing attainment, such as increasing financial aid.

Source: Bettinger and Baker, The Effects of Student Coaching: An Evaluation of a Randomized Experiment in Student Advising, March 2014 (http://journals.sagepub.com/doi/abs/10.3102/0162373713500523).

Text Nudges Provide Needed "Summer Melt" Intervention at a Low Cost



At times, colleges want to provide outreach and interventions to a large number of students in order to improve certain outcomes, such as retention and graduation, but often have limited resources. Sending text messages with targeted messaging at key intervals, commonly referred to as "text nudges," offer an empirically tested method for positively influencing students along a variety of outcome variables. Text nudges have been found to be effective in combatting attrition during the summer following initial enrollment, known as summer melt,** for as little as two dollars per student included in the texting campaign. Text nudges can be more easily scaled to a larger student population compared to more robust interventions such as phone calls or advising sessions, which, while typically effective, tend to be more labor intensive.

Researchers from the University of Virginia and the University of Pittsburgh conducted randomized controlled trials in 2012 at three high schools. The students in the experimental groups received text messages reminding them about college-related deadlines or required tasks (e.g. reminders to access important paperwork and register for orientation). These text nudging interventions were designed to lower the number of college bound high school graduates that fail to matriculate in the fall.

The text nudges were found to be effective for students with moderate GPA's, students who were enrolling in a two-year program, students enrolled in free or reduced-price lunch programs, students with unspecified college plans, and students who had not completed the FAFSA. Two-year programs experienced a statistically significant increase in enrollment with an increase of three percent. This suggests that summer melt text nudges are most effective for groups that may have limited access to other quality college information sources and represent a cost-effective intervention, but may be insufficient when used alone for many groups of students.

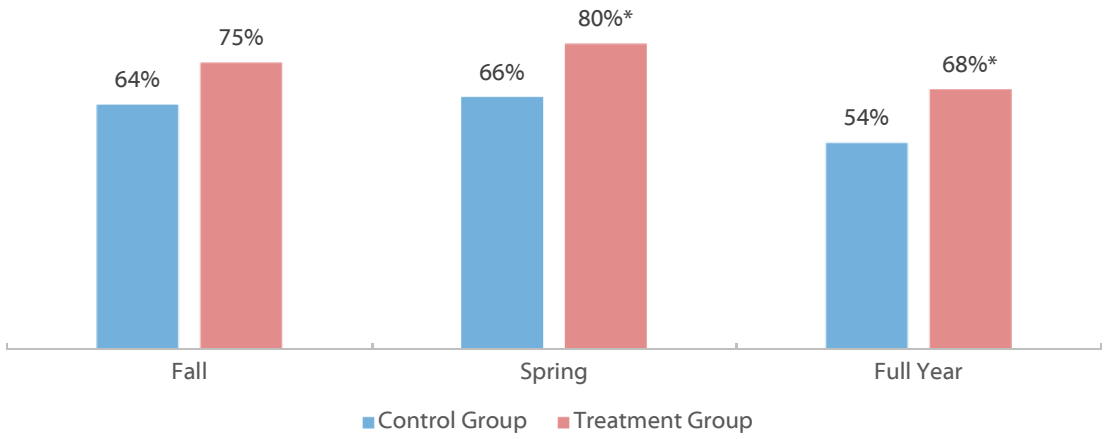
*Statistically significant at the 0.05 level ($p<0.05$).

**Summer melt is a term used to describe the occurrence of students indicating their intent to attend a college in the fall but then ultimately not matriculating. Some have defined this term as only including those who did not matriculate at any college while others have defined it as specific to an institution. Students may indicate their intent to attend college through various activities such as expressly saying so on a form to a counselor, paying college deposits, and registering for classes. The activities used to determine intent depend upon the definition being used for summer melt. For the purposes of this study, the researchers used information on students' expressly stated intentions to attend college and defined summer melt as "the phenomenon that college-intending high school graduates fail to matriculate in college anywhere in the year following high school."

Source: Summer Nudging: Can personalized text messages and peer mentor outreach increase college going among low-income high school graduates? Castleman, B. and Page, L., Journal of Economic Behavior and Organization (2015), (https://www.sciencedirect.com/science/article/pii/S0167268114003217).

Text Nudges Can be Used to Improve Two-year Outcomes During a Student's Academic Career

Enrollment Change For Two-Year College Students Receiving FAFSA Re-Filing Text Nudges



The sending of targeted messaging via text messages at key intervals is commonly referred to as a "text nudge". Text nudges have been found to have positive effects in facilitating increased rates of annual FAFSA completion, and in promoting retention and attainment, for a minimal cost to the institution. A series of studies on text nudges used in varying contexts have suggested that text nudges may provide a low-cost alternative or supplement to other more intensive methods of outreach during a student's academic career, but are limited in effectiveness for some groups of students.

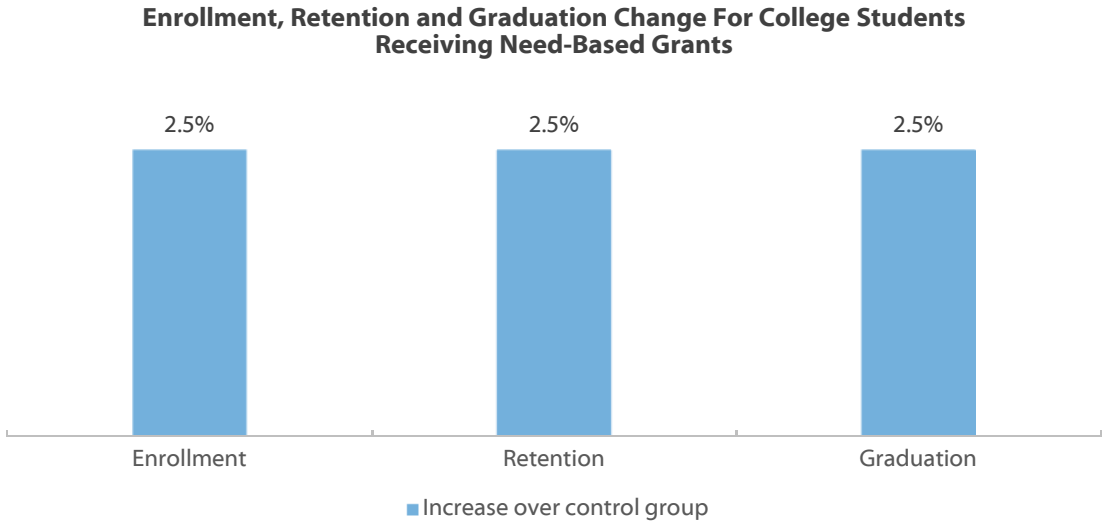
Researchers from the University of Virginia and the University of Pittsburgh used a randomized controlled trial design to examine the impact of text nudges on FAFSA re-filing rates among college freshmen. Text nudges containing information on where to obtain help with financial aid, important deadlines and requirements, and offering assistance related to financial aid and were sent to a randomly assigned group of community college freshmen during the 2012-13 academic year. Outreach took place over the course of approximately seven months with messages approximately every two weeks. Text nudges designed to provide important information and prompting concerning annual refiling of FAFSA have been found to be highly effective among community college students. Freshman community college students who received text nudges were nearly 12 percent more likely to persist into the fall of their sophomore year and were 14 percent more likely to persist into the spring.

Text messages represent a viable cost-effective option and are a valuable tool as part of a set of strategies to impact academic accessibility, persistence, and attainment; however, used alone, text nudges are likely to be inadequate for the overall student population. While impacts are substantial in some cases, effects are consistently limited to specific groups of students, often those with low availability of resources.

*Statistically significant at the 0.05 level ($p<0.05$).

Source: Freshman year financial nudges: An experiment to increase FAFSA renewal and college persistence. Castleman, B. and Page, L., Journal of Human Resources (2016), (http://jhr.uwpress.org/content/51/2/389.short)

Need-Based Grants Increase Retention, Graduation, and Enrollment



A metanalysis of ten recent studies by Sneyers and DeWitt examined the effects of need-based grants on enrollment, retention, and graduation. This analysis demonstrated overall positive effects of need-based grants across the three outcomes measured in all studies. While these effects were small, they were strongly significant.

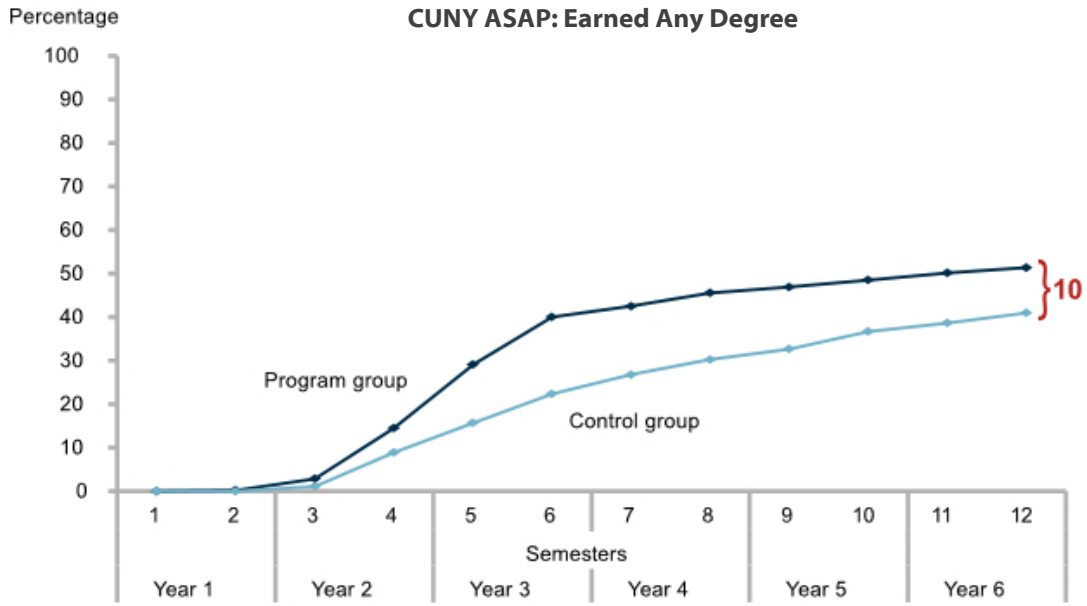
More granularly, the study found that need-based grants had a small positive impact on enrollment across studies in different educational contexts and multiple countries. Enrollment among those receiving grants increased by 2.5 percent compared to the control group. When looking at retention, the study similarly found a small but significant positive impact from need-based grants. When compared to their peers, the recipients of need-based grants were 2.5 percent more likely to be retained. This effect was again seen across all studies included in the analysis.

Finally, the results indicated that need-based grants have a positive effect on students ultimately graduating, but not necessarily within the ideal time to degree, such as four years for a bachelor's degree. Students who received grants were significantly more likely to graduate when looking at longer time to degree; however, no significant results were found for graduation rates within the ideal time to degree. The authors note that this seems to indicate that the effects of need-based grants may be delayed or may increase over time.

Source: Eline Sneyers & Kristof De Witte (2018) Interventions in higher education and their effect on student success: a meta-analysis, Educational Review, 70:2, 208-228, DOI: 10.1080/00131911.2017.1300874 (https://doi.org/10.1080/00131911.2017.1300874).

Evaluations of Community College Program for Low-Income Students Find Positive Results

In 2007, the City University of New York (CUNY) launched the Accelerated Study in Associate Programs (ASAP) with the aim to improve graduation rates among low-income students. The program provided services, such as tutoring and individual advising, and financial assistance with public transportation, textbooks, and tuition. An evaluation of the program found that retention rates, credit accumulation, and graduation rates were significantly increased among program participants as compared to a control group. The program group had a graduation rate that was nearly double that of the control group after three years (40 percent vs 22 percent) and was still 10 percentage points higher than the control group after six years (51 percent vs 41 percent), showing that the program both increased the graduation and helped students graduate at a faster rate.



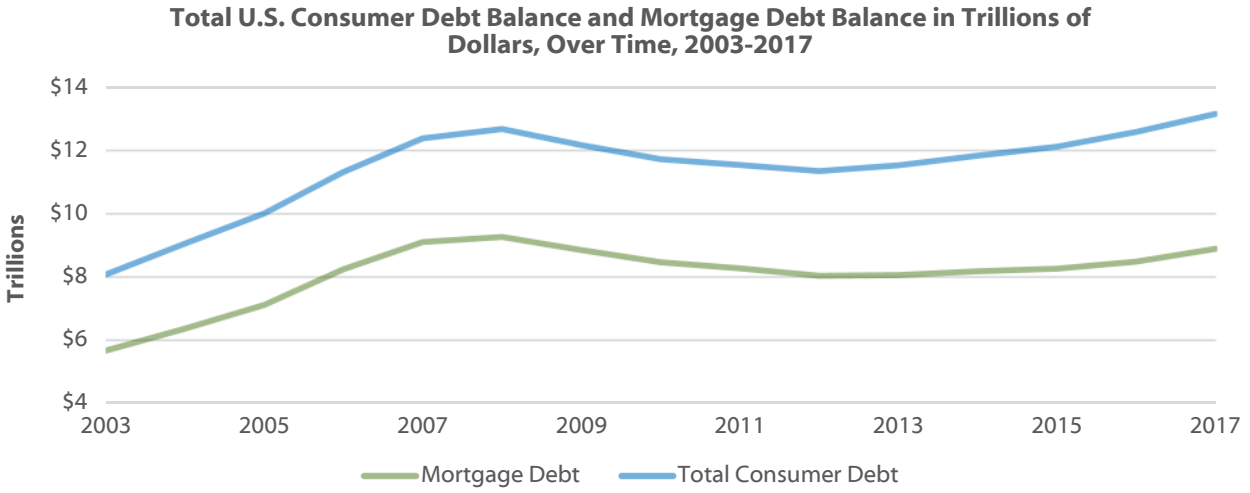
The ASAP model was replicated in 2014 at three Ohio community colleges as a demonstration project. An evaluation of the Ohio ASAP found similar results. Retention rates, credit accumulation, and graduation rates were all significantly higher among program participants as compared to the control groups. As with the CUNY ASAP, the Ohio ASAP saw the graduation rate nearly double among program participants compared to the control group after two years (19 percent vs 8 percent). Though there are costs associated with implementing a program like ASAP, these evaluations demonstrate the real-world benefits and can help inform conversations about costs and the return on investment.

Sources: MDRC, The Power of Fully Supporting Community College Students: The Effects of the City University of New York's Accelerated Study in Associate Programs After Six Years, October 2017 (https://www.mdrc.org/publication/power-fully-supporting-community-college-students); MDRC, Doubling Graduation Rates in a New State: Two-Year Findings from the ASAP Ohio Demonstration, December 2018 (https://www.mdrc.org/sites/default/files/ASAP_brief_2018_Final.pdf).

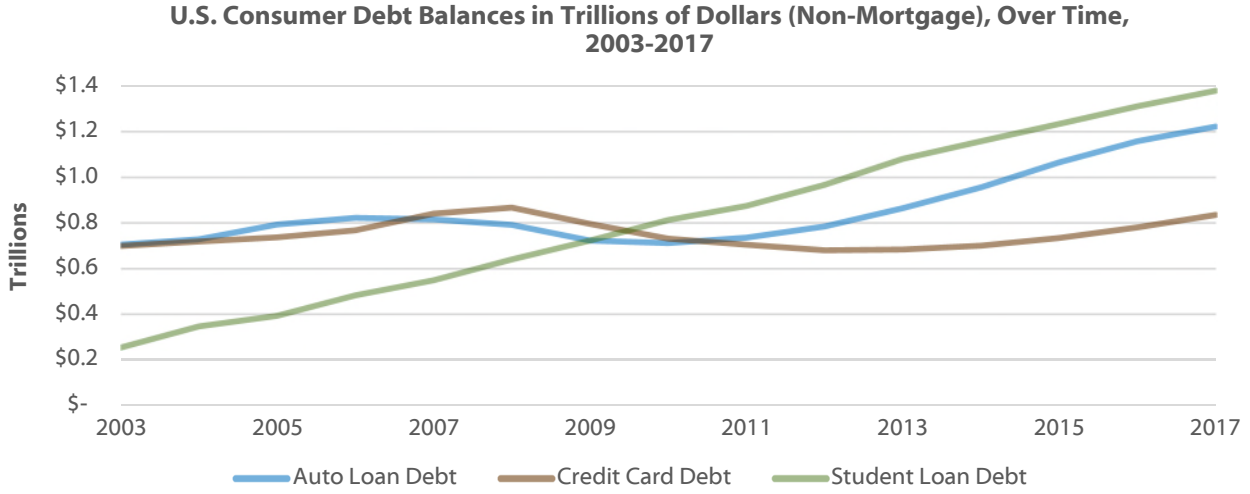
SECTION 11

Consumer Debt

Total U.S. Consumer Debt Reaches $13.1 Trillion, Student Loan Debt $1.4 Trillion



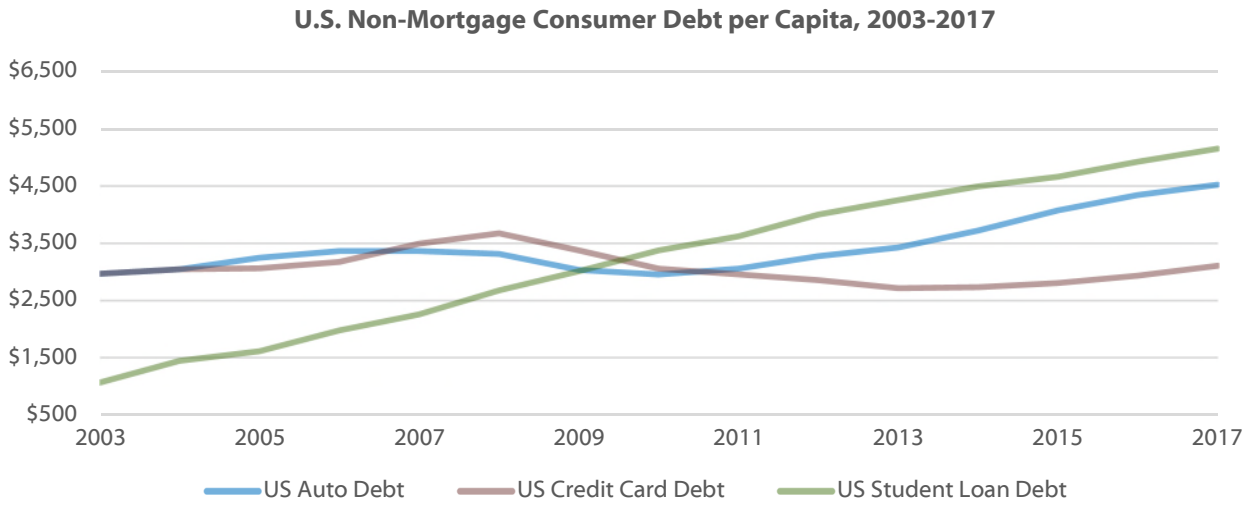
Total U.S consumer debt – including mortgage, credit card, student loan, auto, and other debt – reached more than $13.1 trillion in 2017. This is an increase of around $5.1 trillion since 2003. Mortgage debt is the largest form of consumer debt, at nearly $8.9 trillion in 2017. Debt spiked leading up to and during the economic recession a decade ago, but total consumer debt reached even higher levels than that in 2017.



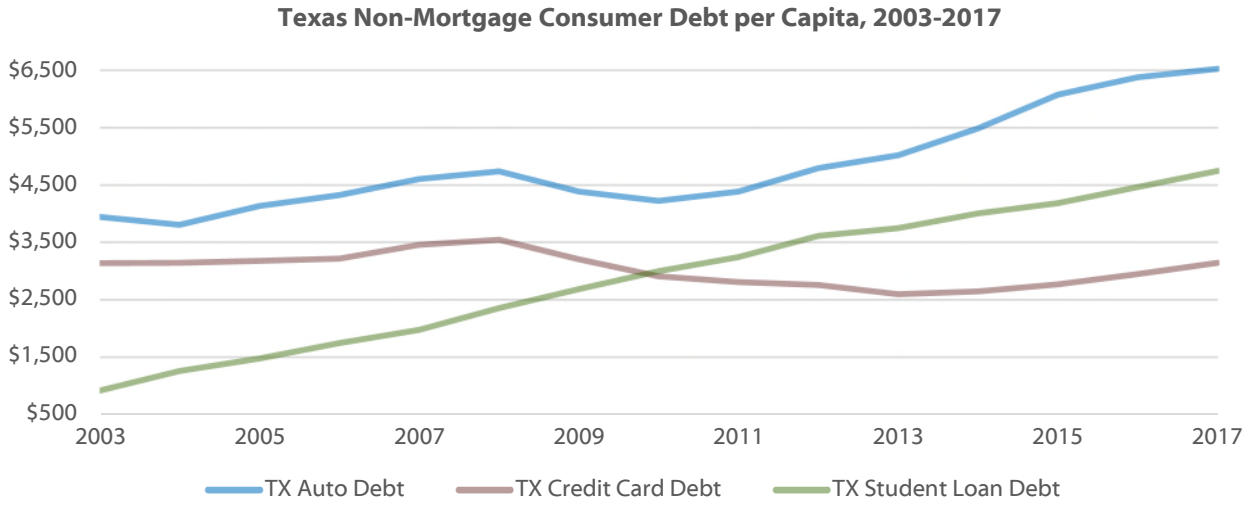
With a total of $1.38 trillion in 2017, student loan debt is the second largest form of consumer debt behind mortgages. It surpassed both auto and credit card debt in 2010 and has continued to rise. In fact, since 2003 student loan debt has increased by $1.1 trillion.

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2017 Q4 (https://www.newyorkfed.org/microeconomics/data.html).

Unlike the Nation, Texas Student Debt per Capita has not Surpassed Auto Debt



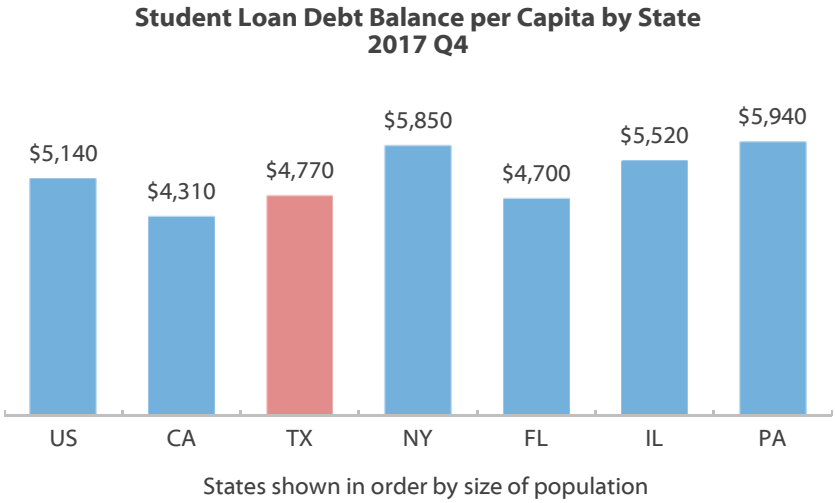
Mortgage debt is still the largest form consumer debt in the nation at $32,940 per capita in 2017. However, amongst the other forms of consumer debt, student loan debt became the second largest in 2010 – overtaking auto and credit debt – and has continued to rise.



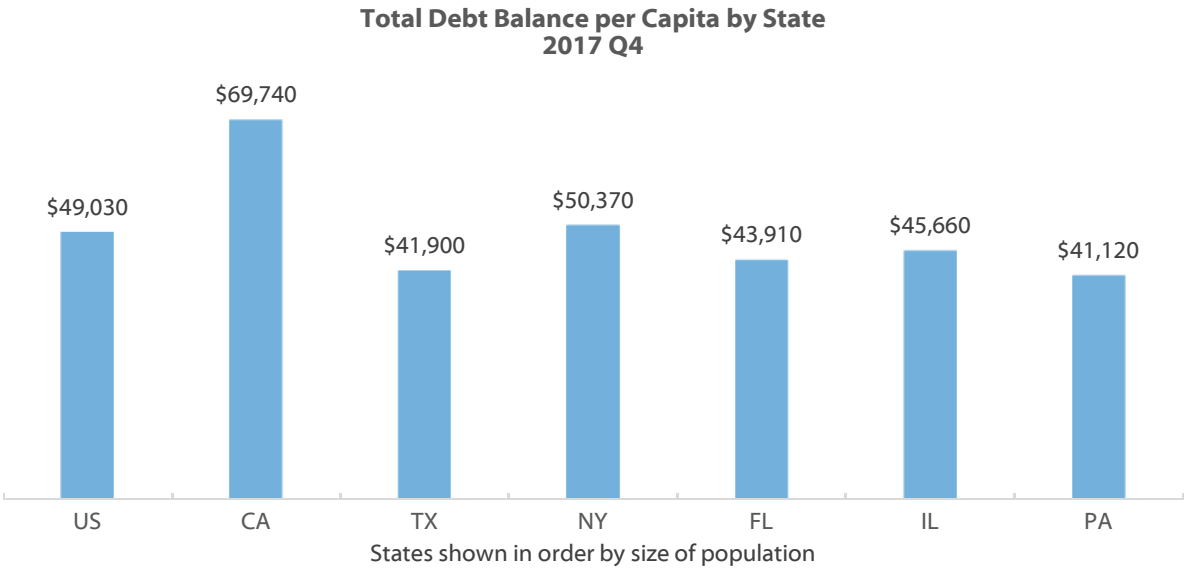
In Texas, mortgage debt is also the largest form of consumer debt, at $25,020 per capita in 2017. Amongst the other forms of consumer debt, student loans surpassed credit debt in 2010, but has not surpassed auto debt. Texas auto debt per capita in 2017 was $6,070.

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2017 Q4 (https://www.newyorkfed.org/microeconomics/data.html).

Texas Student Loan Balance Per Capita Lower Than National Average



In the last quarter of 2017, Texans had a per capita student loan debt balance of about $4,770, lower than the national balance of $5,140. Texas has the third lowest student loan debt balance among the six largest states. Student loans in this analysis include loans to finance educational expenses provided by banks, credit unions and other financial institutions as well as federal and state governments.

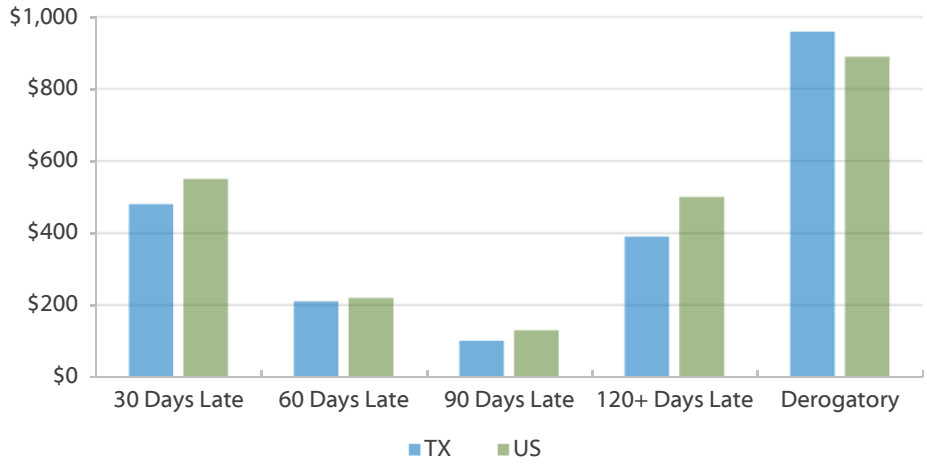


With a per capita average of $41,900 in debt, Texans have the second lowest debt balance among the six largest states and the national average. This debt profile includes mortgage accounts, home equity revolving accounts, auto loans, bankcard or credit card accounts, student loans, and other loans (such as consumer finance and retail loans).

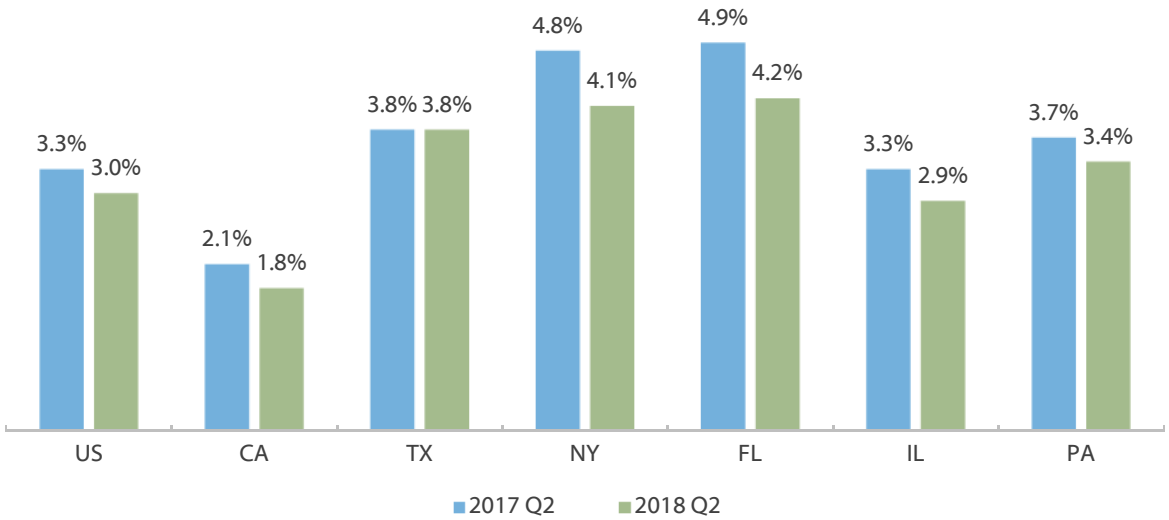
Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2017 Q4 (https://www.newyorkfed.org/microeconomics/data.html).

Texas Has Similar Rates of Delinquency on Household Debt Compared to the Nation

Delinquency Status of Debt per Capita by State
2017 Q4



Percentage of Balance 90+ Days Late by State
2017 and 2018

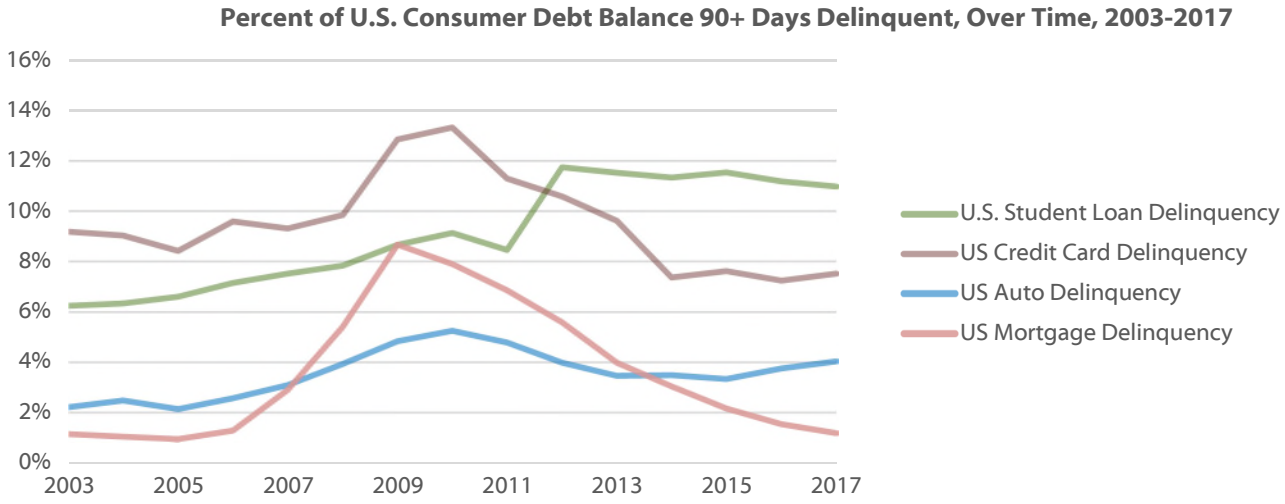


The amounts of debt in each stage of delinquency were not very different when comparing Texas and the US. Overall in the US and in most of the six largest states, the percentage of the debt balance that is severely delinquent – that is, 90 or more days late – had decreased by the second quarter of 2018 compared to the second quarter of 2017. Texas has the fourth highest percentage of severely delinquent borrowers among the six largest states, but still higher than the overall US percentage.

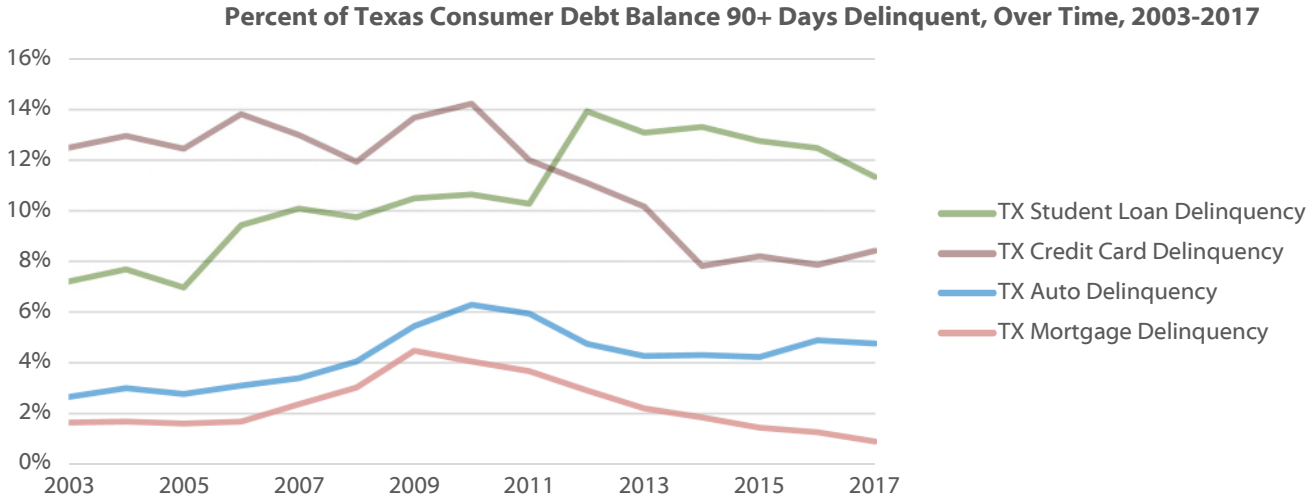
Note: The Derogatory delinquency status includes a person with any level of delinquency combined with repossession, charge off to bad debt, or foreclosure.

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2018 Q2 (https://www.newyorkfed.org/microeconomics/data.html).

Severe Delinquency for Student Loan Borrowers Surpassed Credit Cards in 2012 in Texas and the Nation



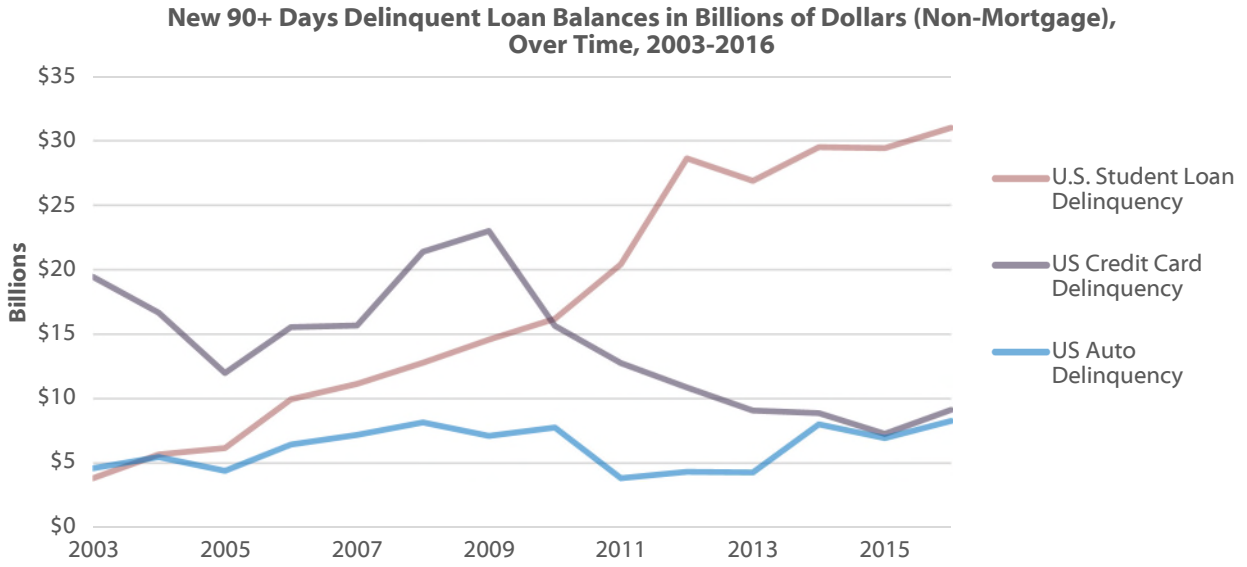
The percentage of debt that is severely delinquent – 90 or more days late – has shifted by debt type over time. Nationally, severe student loan debt delinquency overtook credit card delinquency in 2012 to have the highest percentage of severely delinquent borrowers. While severe mortgage debt delinquencies grew during the Great Recession, it fell below auto debt in 2014 and now has the lowest percentage of severely delinquent borrowers, at 1.2 percent in 2017.



In Texas, severe student loan debt delinquency surpassed credit cards in 2012. In 2017, 11.3 percent of student loan borrowers and 8.4 percent of auto loan borrowers were 90 or more days delinquent. Unlike the nation, the percentage of severely delinquent mortgage borrowers never surpassed auto debt, even during the Great Recession.

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2017 Q4 (https://www.newyorkfed.org/microeconomics/data.html).

Delinquent Balances for Student Loan Debt Have Increased Over Time, While They Have Decreased for Credit Card Debt

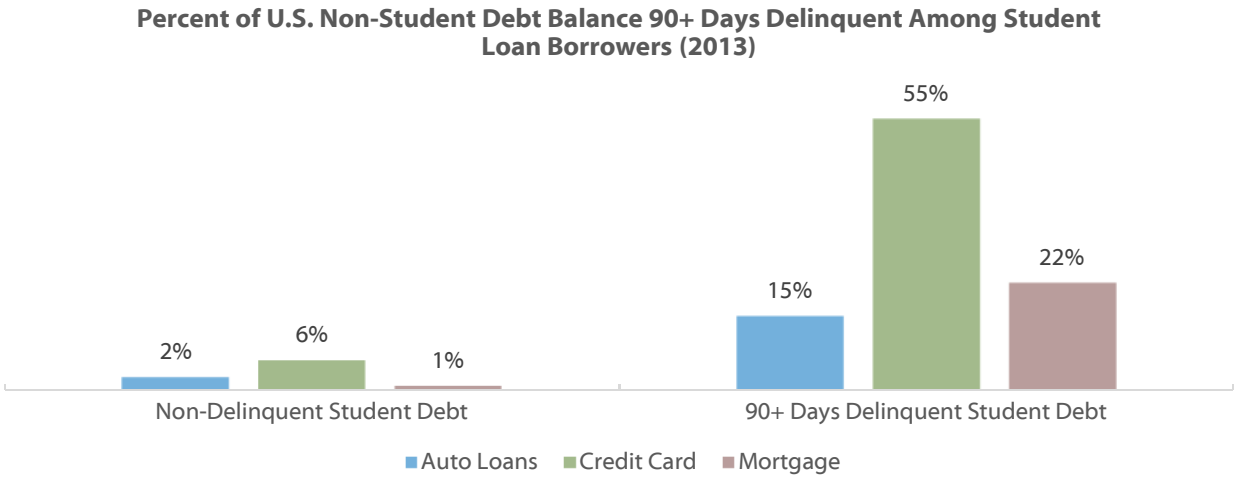


In pure dollar magnitude of new severe debt delinquency – 90 or more days late – mortgages have the largest balances at $45.8 billion in 2016. Amongst the other forms of consumer debt, the balances of student loan delinquency are far greater than auto and credit card debt. In 2016, new 90+ day student loan delinquencies totaled $31 billion, credit card delinquency totaled $9.1 billion, and auto debt delinquency was $8.2 billion.

Over time, the balances of severely delinquent accounts have shifted dramatically. In 2003, the balances for new, severely delinquent student loans were the lowest amongst the forms of consumer debt at $3.8 billion, lower than for auto loans ($4.6 billion in 2003). Since then there has been a substantial increase in the balance amount of new student loan delinquencies. In 2010, it surpassed credit card as the second highest severe delinquency balance after mortgages. Severe credit card delinquency balances have decreased from a high of $23 billion in 2009, to $9.1 billion in 2016.

Source: Federal Reserve Bank of New York. Quarterly Report on Household Debt and Credit. (November 2018). The Center for Microeconomic Data, Data & Reports, (https://www.newyorkfed.org/microeconomics/data.html).

Student Loan Borrowers Severely Delinquent are Also More Severely Delinquent on Other Forms of Consumer Debt

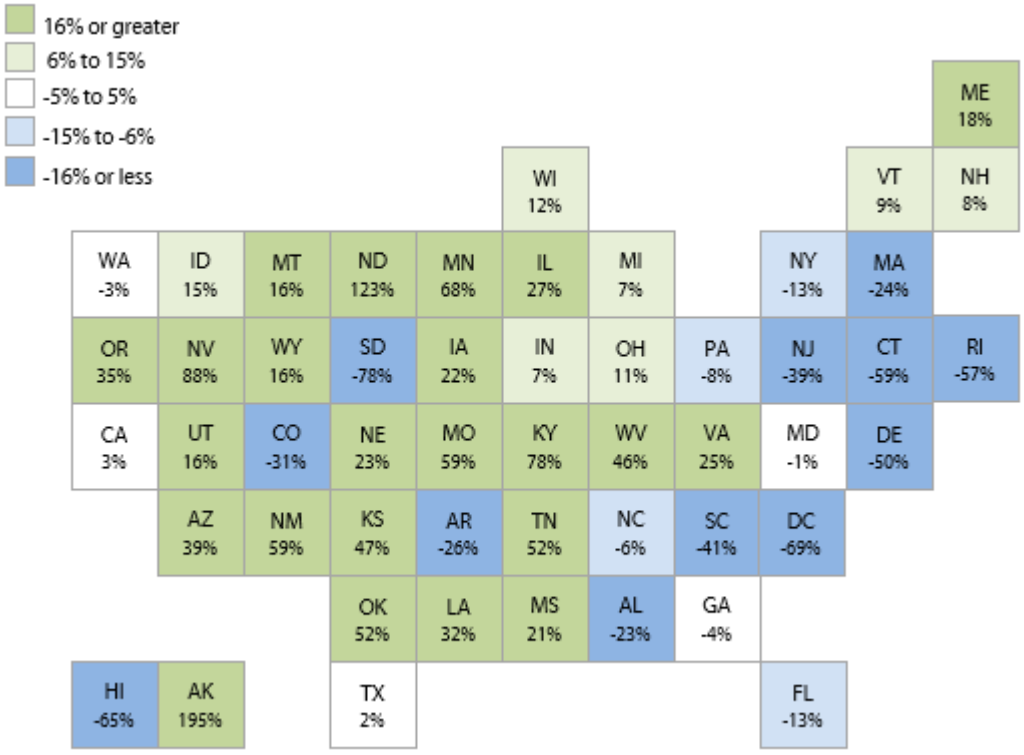


In a 2013 Federal Reserve Bank of New York analysis of student loan borrowing, researchers found that student loan borrowers that were severely delinquent – 90 or more days late – were also severely delinquent on other consumer debt at greater percentages compared to student loan borrowers who were not delinquent on their student loans. More than half of severely delinquent student loan borrowers (55 percent) were also severely delinquent on credit cards, 22 percent were delinquent on their mortgage, and 15 percent on auto loans.

Source: Federal Reserve Bank of New York. Household Debt and Credit: Student Debt. (February 2013). The Center for Microeconomic Data, Data & Reports, (https://www.newyorkfed.org/microeconomics/data.html).

Majority of States Saw Increases in Student Lending Activity From 2017 to 2018

One Year Change in Student Loan Volume, by State
(July 2017 to July 2018)



Between July 2017 and July 2018, almost two-thirds of U.S. states saw increases in the total volume of student loans. This ranged from nearly flat levels in Texas to an almost 200 percent increase in Alaska. The remaining states saw decreases ranging from a reduction of one percent in Maryland to a 78 percent lower volume in South Dakota.

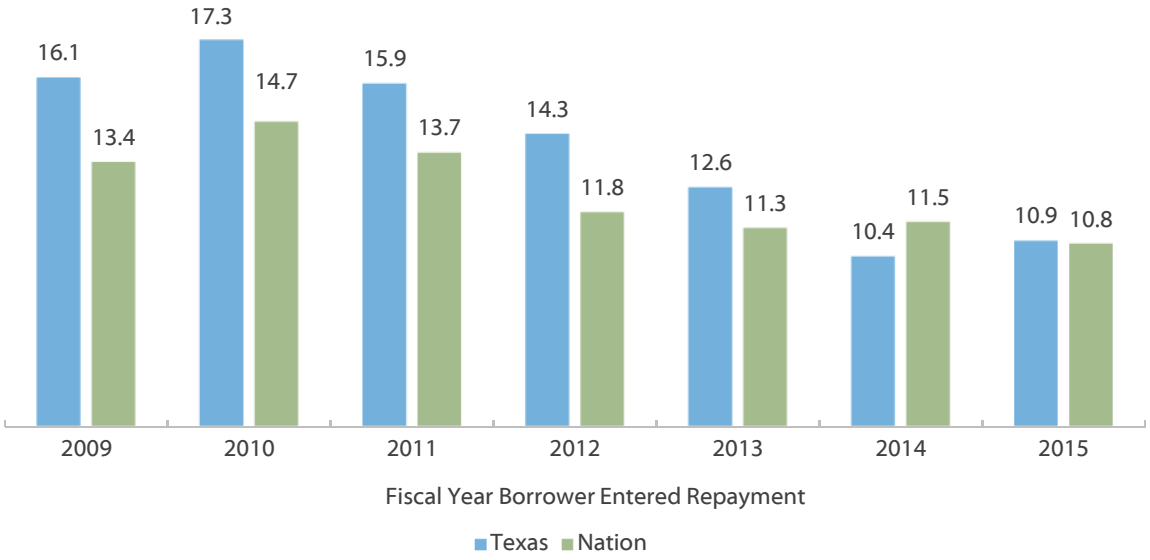
Source: Consumer Financial Protection Bureau (CFPB), Consumer Credit Trends, Student Loans Origination Activity, Geographic Changes, 2018 (https://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/origination-activity/).

SECTION 12

Delinquencies, Defaults, and Collections

Default Rates for Texas Increase; Decrease for the Nation

**Texas, National Three-year Cohort Default Rates*
(FY 2009–2015)**



After peaking in fiscal year (FY) 2010, federal cohort default rates (CDRs) have gradually declined for both Texas and the nation. During this period of improvement, the difference between Texas and national CDRs have narrowed to where the two are now nearly the same.

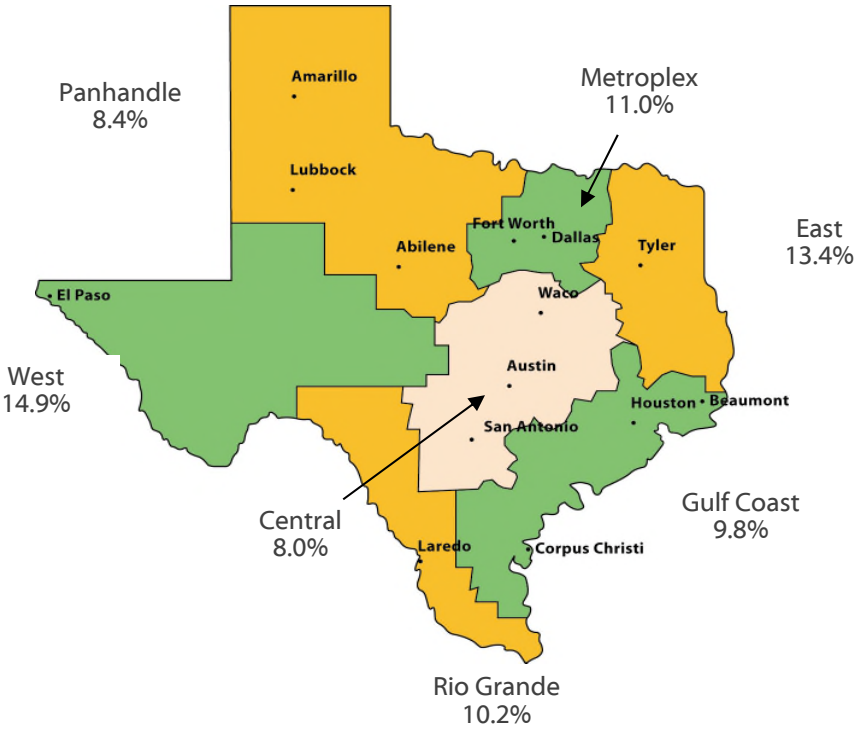
While the precise reason(s) for the recent decline in CDRs is not known, past evidence and other recent trends suggest it may have been caused at least partially by general economic improvement (particularly the falling unemployment rate) and increased usage of repayment flexibility options like income-driven repayment plans. The federal government and many institutions have made new efforts to inform borrowers of these repayment plans, which cap monthly payments at a percentage of income and require no payments at all below a certain income threshold. Improvements in student success indicators likely also contributed to lower CDRs.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2015 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2015 and subsequently defaulted by the end of FY 2017.

Source: U.S. Department of Education, Fiscal Year Three-Year Official Cohort Default Rates, Washington, D.C., 2018.

Texas Three-year Cohort Default Rates Vary by Region

Three-year Cohort Default Rates*
(FY 2015)



The overall Fiscal Year (FY) 2015 three-year cohort default rate (CDR) for Texas was 10.9 percent (compared to 10.4 percent in FY 2014). Texas' FY 2015 CDR was 0.1 percentage points higher than the 10.8 default rate for the nation.

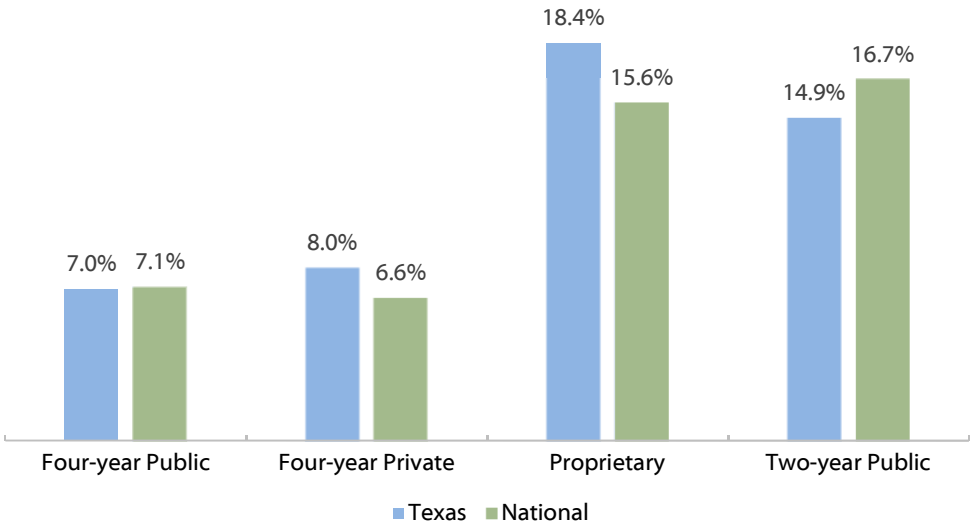
Cohort default rates vary substantially from region to region, from a high of 14.9 percent in the West Texas region to a low of 8.0 percent in the Central Texas region. All of the Texas regions experienced an increase in the three-year default rates between FY 2014 and FY 2015 except for the Panhandle and Central regions. The largest differences were seen for schools in the Panhandle region, where the three-year CDR dropped 1.3 percentage points between FY 2014 and FY 2015, and for schools in the Rio Grande Valley region, where the CDR increased one percentage point.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. For example, the FY 2015 cohort default rate is based on student borrowers who entered repayment during FY 2015 and subsequently defaulted by the end of FY 2017.

Source: U.S. Department of Education, Fiscal Year 2014 and Fiscal Year 2015 Three-Year Official Cohort Default Rates, Washington, D.C., 2018.

Short-Term Programs Have Higher Three-year Default Rates

Texas Three-year Cohort Default Rates* by School Type



Texas borrowers who attended short-term programs have a combined FY 2015 three-year cohort default rate (CDR) more than twice the rate of those who attended four-year schools (16.0 percent and 7.2 percent, respectively). Although some proprietary schools offer bachelor's degrees or higher, most proprietary schools in Texas offer short-term programs exclusively. At 18.4 percent, the highest FY 2015 three-year CDR is for the proprietary sector, followed by the two-year sector with a 14.9 percent CDR. This is a minor reversal compared to the nation as a whole, where the proprietary sector had a slightly lower CDR than the public two-year sector. All sectors in Texas had an increase in their rate from FY 2014 to FY 2015.

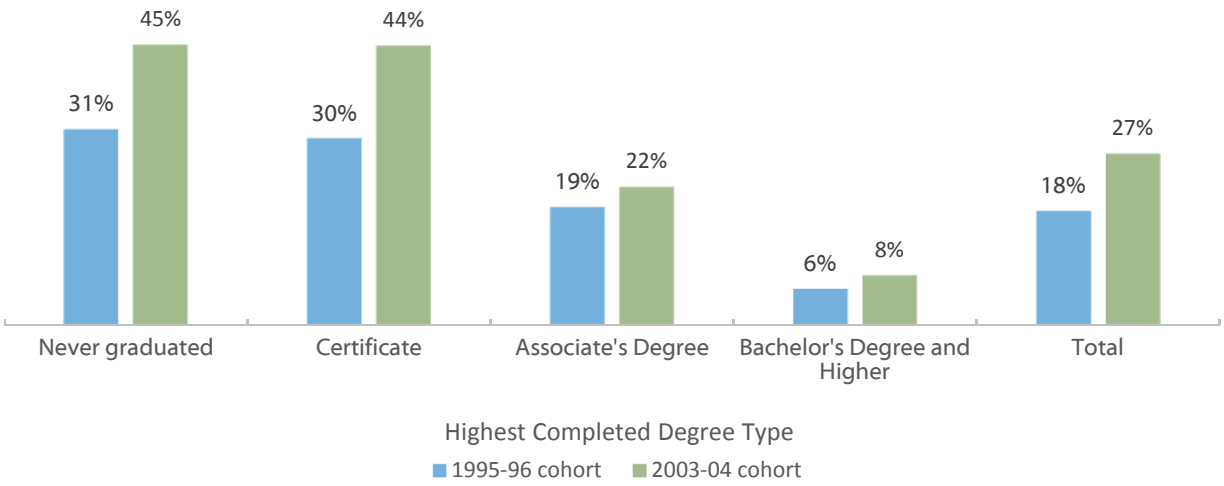
There are several factors that contribute to the tendency toward higher CDRs for short-term programs, as compared to four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school, such as attending school part time and working full time, than are students from four-year colleges and universities. Also, earnings tend to be lower for graduates of short-term programs compared with graduates of four-year schools.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2015 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2015 and subsequently defaulted by the end of FY 2017.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2015 Official Cohort Default Rates, Washington, D.C., 2018; All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2016" (http://www.nces.ed.gov/das/).

Nearly Half of Borrowers Who Did Not Graduate Had Defaulted within 12 Years of Starting College

Percentage of Borrowers Who Defaulted within 12 Years of Starting College, by Degree Type
1995-96 and 2003-04 Cohorts



Approximately 31 percent of all student borrowers who first started their postsecondary education in the 1995-96 academic year and did not graduate had defaulted sometime during the 12 years after first starting college. A nearly identical percentage of certificate earners also defaulted during that timeframe. The default rates for associate's degree and bachelor's degree holders were lower. Just under six percent of borrowers who earned a bachelor's degree or higher had defaulted on their loans in the 12-year timeframe.

The default rates for borrowers who first started college in the 2003-04 academic year were higher across all categories, particularly among certificate holders and those who never graduated. This is likely due in part to the 2007-08 economic recession that hit many of those borrowers early in their work life following college. Those with less education have higher unemployment rates than those with more, and this was certainly true during and following the recession.

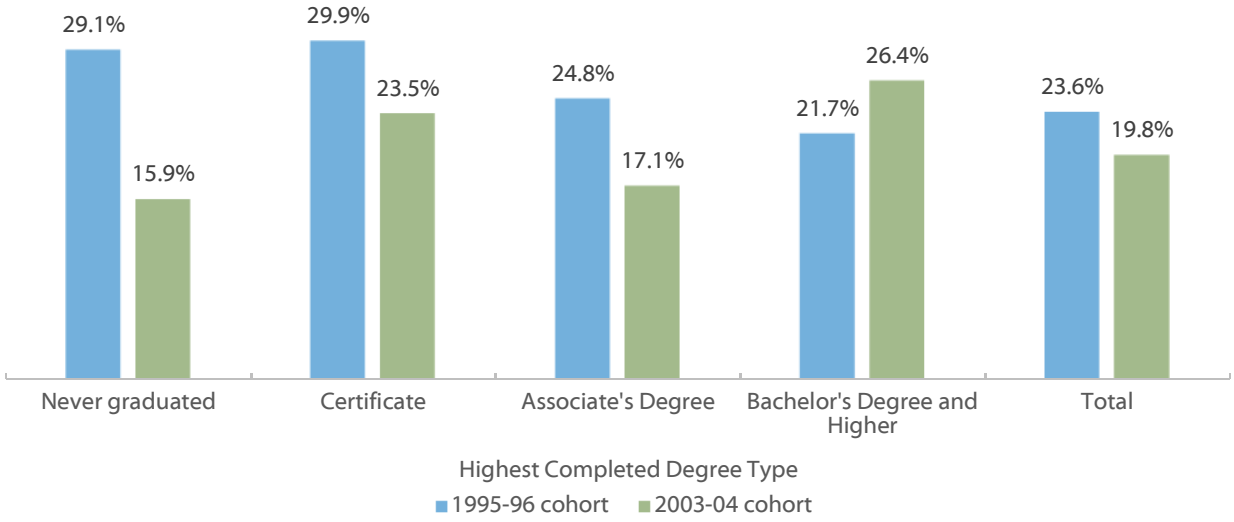
There are several factors that contribute to the tendency toward higher default rates for short-term programs, such as certificate programs and associate's degrees, as compared to four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school, such as attending school part time and working full time, than are students from four-year colleges and universities. Also, earnings tend to be lower for graduates of short-term programs compared with graduates of four-year schools.

When the timeframe for tracking the 1995-96 cohort was extended from 12 to 20 years, 25.4 percent of all student borrowers had defaulted. The more recent cohort has already exceeded that rate at just the 12-year mark.

Sources: Default Rates: U.S. Department of Education, National Center for Education Statistics, Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First-Time Beginning Students, October 2017 (https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2018410); Risk Factors: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2012" (http://www.nces.ed.gov/das/); Unemployment Rates: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," March 2018 (https://www.bls.gov/news.release/empsit.t04.htm).

One in Five Borrowers Who Began College in 2003-04 Fully Repaid Loans within 12 Years of Starting College

**Percentage of Borrowers Who Fully Paid Back Loans without Defaulting within 12 Years of Starting College
1995-96 and 2003-04 Cohorts**



In a rare glimpse into long-term student loan repayment patterns, the National Center for Education Statistics (NCES) reported on two cohorts of borrowers, one that started school in the 1995-1996 academic year (AY) and another that started in AY 2003-2004. About one in five borrowers from the 2003-2004 cohort had repaid their loans within 12 years of first starting school, a four-percentage point decline from the 1995-1996 cohort.

While full repayment success generally declined in the latter cohort, it increased among bachelor's degree or higher recipients. Degree recipients had higher rates of full repayment than borrowers who never graduated. Among borrowers with degrees from the 2003-2004 cohort, those with bachelor's degrees or higher had the greatest success (26.4 percent), followed by those with certificates (23.5 percent).

The differences between degree recipients may be moderated due to borrowers in longer term programs borrowing higher amounts and only beginning repayment many years later than those in short-term programs.

Conversely, the 2007-08 economic recession that would have hit many of the 2003-04 cohort of borrowers early in their work life following college was harsher on borrowers in short-term programs and may have enlarged gaps in full repayment compared to those in bachelor's degree and higher programs. Although unemployment rates rose for everyone during the recession, the rates remained lower for those with higher levels of education. It may be that those with a bachelor's degree or higher were better able to secure and maintain employment during and following the recession compared to those with lower levels of education, making full repayment more likely.

Sources: Repayment Rates: U.S. Department of Education, National Center for Education Statistics, Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First-Time Beginning Students, October 2017 (https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2018410); Risk Factors: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2012" (http://www.nces.ed.gov/das/); Unemployment Rates: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," March 2018 (https://www.bls.gov/news.release/empsit.t04.htm).

SECTION 13

Texas Higher Education and Student Debt Policy

Early Progress on 60x30TX Goals

In 2016, the Texas Higher Education Coordinating Board (THECB) launched a new, 15-year strategic plan for Texas higher education: 60x30TX ("sixty by thirty Texas"). The plan establishes four core goals:

1) By 2030, at least 60 percent of Texans ages 25-34 will have a postsecondary credential or degree.
2) By 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor's, or master's degree from a Texas public, independent, or for-profit college or university.
3) By 2030, all graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.
4) By 2030, undergraduate student loan debt will not exceed 60 percent of first-year wage for graduates of Texas public institutions.

In focusing on student debt and workforce outcomes, goals three and four represent a new direction for the THECB. The plan has identified two key targets for containing student loan debt:

a) Decrease the excess semester credit hours (SCH) that students attempt when completing an associate or bachelor's degree to 12 by 2020, six by 2025, and three by 2030.
b) Limit the need to borrow so that no more than half of all students who earn an undergraduate degree or certificate will have debt in 2030.

60x30TX Goal Updates

		2015 (Baseline)	2016	2017	2030 Goal
	Overall Attainment Rate	40.3%	41.0%	42.3%	60%
Completion Goals	Overall Completion Total	311,340	321,410	333,920	550,000
	Hispanic Completion	96,657	103,889	111,344	285,000
	African American Completion	38,964	38,813	41,027	76,000
	Male Completion	131,037	135,849	141,564	275,000
	Economically Disadvantaged Completion	114,176	119,490	124,178	246,000
	Texas High School Graduates Enrolling in Texas Higher Education	52.7%	51.9%	52.3%	65%
Marketable Skills Goal	Working or Enrolled Within One Year	78.9%	78.8%	78.8%	80%
Student Debt Goals	Student Loan Debt to First-Year-Wage Percentage	59.5%	59.8%	58.9%	60%
	Excess SCH Attempted	19	19	18	3
	Percent of Undergraduates Completing with Debt	49.2%	48.2%	47.2%	50%

While meeting the target for excess SCH will require substantial reductions, about 60 percent of undergraduate degree completers already borrow student loans. However, this is partially because students with a greater need to borrow tend to have lower odds of completing their degrees; students with more resources who do not need to borrow are overrepresented among completers. Without significant changes to students' costs and/or resources, increasing the number of minority and low-income students who graduate (an explicit goal of 60x30) will raise the percentage of graduates who borrow. Conversely, if grant funding does not increase significantly, then increasing the rate and amount of borrowing might be necessary for financially needy students who would otherwise drop out to persist to graduation. At current prices, making progress towards completion goals while holding the borrowing rate at 60 percent *and* containing the debt burdens of graduates will likely require additional grant funding.

Source: Texas Higher Education Coordinating Board. THECB 60x30 Progress Report, July 2018 (http://www.60x30tx.com/media/1406/2018-60x30tx-progress-report.pdf).

THECB Recommends Modifications to Student Aid Programs, Core Curriculum Requirements, and Dual Credit

The Texas Higher Education Coordinating Board (THECB) issued recommendations for the upcoming 2019 Texas legislature related to their administration of higher education. Among the recommendations, THECB proposes the following:

Student Aid Programs

- Turn the Texas College Work-Study program into Texas WORKS, which would create a centralized off-campus work-study program aimed at low-income students.
- Limit the total semester credit hours for which a student can receive a TEXAS Grant (from 150 to 135 total semester credit hours).
- Expand TEOG eligibility to community college students who are enrolled in their school's baccalaureate degree programs.

Core Curriculum Changes for Transfer

- Create statewide specialized core curriculums to help ensure courses will apply to majors and possibly reduce the number of total hours required for the core, and make core curriculum information more available online.
- Feasibility study on a transfer admissions guarantee program.

Dual Credit Changes

- Dual Credit – require that high school students demonstrate college readiness in the disciplines they want to take dual credit courses in.

Additionally, THECB also recommends creating a graduation bonus to award institutions for graduates, including a larger bonus for graduates who were at-risk students. This bonus could help further incentivize institutions to meet the degree completion goals of the statewide strategic plan for Texas higher education, 60x30TX.

Source: Texas Higher Education Coordinating Board (THECB), Legislative and Media Resources, Higher Education Policy and Appropriations, "Legislative Recommendations to the 86th Texas Legislature" (2018) (http://www.thecb.state.tx.us/index.cfm?objectid=B71C18F0-2E0B-11E8-BC500050560100A9).

Funding for Almost All Texas Financial Aid Programs Decreased in 2018-2019 Biennium

Major Texas Financial Aid Programs
Funding in 2016-2017 (Adjusted) and 2018-2019 Biennia

	2016-2017 Biennium Funding (in millions, rounded)	2018-2019 Biennium Funding (in millions, rounded)	Percent Change
Towards EXcellence Access and Success (TEXAS) Grant	$715	$787	10%
Texas Educational Opportunity Grant (TEOG)	$94	$96	2%
Texas Work-Study	$19	$19	0%
Tuition Equalization Grant (TEG)	$192	$172	-10%
B-on-Time Loan	$83	$18	-78%
Total	$1,103	$1,092	-1%

Funding for nearly all of Texas' major higher education financial aid programs was decreased from the adjusted 2016-2017 Biennium to the 2018-2019 Biennium. Overall, funding for the five major programs that receive general revenue appropriations was decreased by one percent, holding roughly steady at about $1.1 billion. The Towards Excellence, Access, and Success (TEXAS) Grant was the only program to receive a significant funding increase. This funding boost is intended to allow the program to award grants to about 92% of eligible students that will cover over half of tuition and fees, on average. Most of the overall decrease in funding for the five major programs was due to the phasing out of the B-On-Time Loan. All state grant programs assist students with financial need, promoting access to higher education to low-income students while helping to limit their need to borrow student loans, though some programs (like the TEXAS Grant) also have an explicit merit-based component.

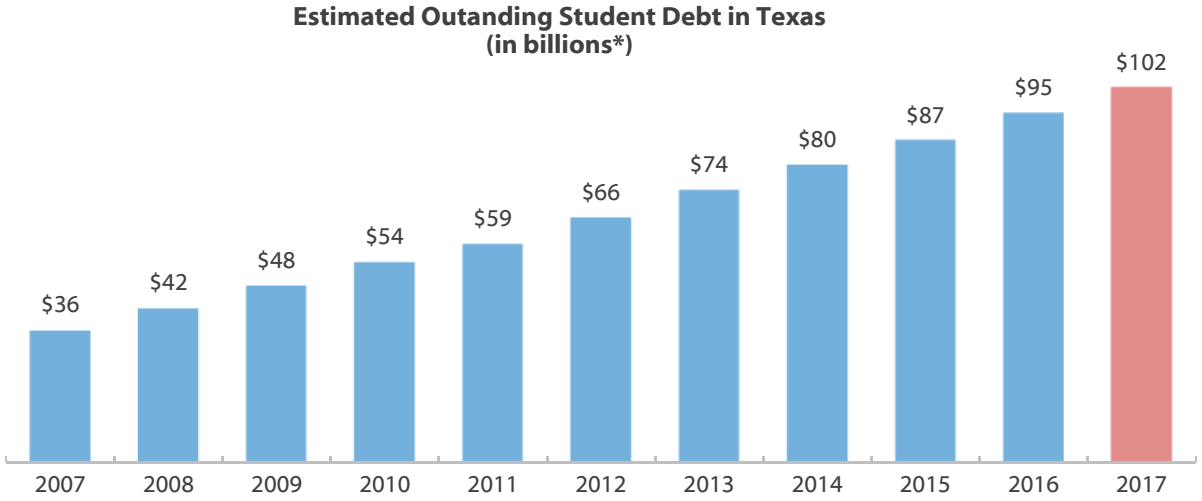
Other Texas Financial Aid Programs
Funding in 2016-2017 (Adjusted) and 2018-2019 Biennia

	2016-2017 Biennium Funding (in millions, rounded)	2018-2019 Biennium Funding (in millions, rounded)	Percent Change
Top Ten Percent Scholarship	$18	$3.2	-83%
Developmental Education	$4.0	$2.7	-33%
Texas Research Incentive Program	$138	$35.0	-75%
Professional Nursing Shortage Reduction Program	$33.8	$20.0	-41%
Teach for Texas Loan Repayment Assistance Program	$4.4	$2.8	-36%
Physician Education Loan Repayment Program	$33.8	$25.4	-25%
Texas Armed Services Scholarship	$5.4	$2.7	-50%

Source: Texas Higher Education Coordinating Board, "Higher Education Summary of the 85th Texas Legislature (Regular Session)," 2017 (http://www.thecb.state.tx.us/reports/PDF/9771.PDF?CFID=74388826&CFTOKEN=21078051); Texas Higher Education Coordinating Board, "Higher Education Summary of the 84th Texas Legislature (Regular Session)," 2015 (http://www.thecb.state.tx.us/reports/PDF/6793.PDF?CFID=74390564&CFTOKEN=34248304); Texas Legislative Budget State Budget by Program (http://sbp.lbb.state.tx.us/); Watkins, Matthew (2017). "In a year of cuts, the Texas Legislature boosted financial aid for college students". *Texas Tribune*. https://www.texastribune.org/2017/06/07/year-cuts-texas-legislature-boosted-financial-aid/

Student Loan Debt in Texas Grows Faster Than the U.S.; Tops $100 Billion

Rising national student loan debt has garnered much attention for several years. As of December 31, 2017, the total volume of outstanding student loan debt in the United States was estimated at $1.38 trillion, representing an increase of about $68 billion over the previous year and $146 billion over the previous two years. As of the end of 2017, the estimated outstanding student loan volume in Texas was over $101 billion, up about 7.4 percent from the previous year compared to 5.2 percent growth nationally. Because the growth rate of Texas student loan debt exceeds the rate for the U.S. as a whole, the proportion of all student loan debt held by Texans has increased. In 2007, Texans held about 6.5 percent of U.S. student loan debt; in 2017, Texans held about 7.4 percent. The relative youth of the Texas population is likely a major contributor to the growth in student loan debt relative to the nation.



While the growth rate of Texas student loan debt exceeds the overall U.S. growth rate, both rates have slowed somewhat in recent years. Texas has added about $7 billion per year in outstanding student loan debt since 2012, resulting in higher absolute growth but lower percentage growth than in previous years. For the U.S., absolute debt growth of about $75 billion annually since FY 2014 has been smaller than usual, such that the annual percentage growth has declined even more quickly.

At the state and national level, the majority of the outstanding student loan debt comes from federal loans, including Federal Family Education Loans (FFEL)**, Federal Direct Loans, and Federal Perkins Loans. Private and state-level education loans, which generally do not provide accommodations like income-linked repayment plans, deferments, or forgiveness, accounted for about 11 percent of student loans borrowed in AY 2016-17. Texas students are more dependent on federal aid, including federal student loans, than students nationally.

*Estimates are based on state-level per capita student debt averages from the Federal Reserve Bank of New York Consumer Credit Panel, which excludes persons without credit reports and persons living in counties where fewer than 10,000 people have credit reports. The result for a given year is adjusted by the same factor by which the result of this methodology for the United States as a whole deviates from the United States total outstanding student debt for that year as reported in the Quarterly Report on Household Debt and Credit. This adjustment, which was not made in some previous editions of SOSA, has been applied to all years.

**The FFEL Program ended in 2010, but borrowers are still making payments on outstanding FFEL balances.

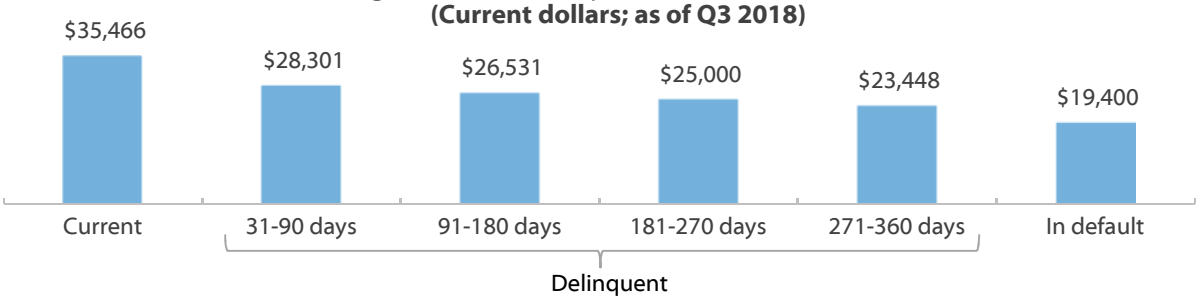
Sources: U.S. Student Loan Debt Estimate: Federal Reserve Bank of New York (FRBNY), Quarterly Report on Household Debt and Credit, 2017:Q4 (https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2017Q4.pdf), Texas Student Loan Debt Estimate: FRBNY Quarterly Report on Household Debt and Credit, Q4 2007 through Q4 2017, and Household Debt and Credit Statistics by State (https://www.newyorkfed.org/medialibrary/Interactives/householdcredit/data/xls/area_report_by_year.xlsx); Non-federal borrowing: College Board. Trends in Student Aid 2017 (https://trends.collegeboard.org/student-aid/figures-tables/total-federal-and-nonfederal-loans-over-time).

Students Who Borrow More Are Less Likely to Default

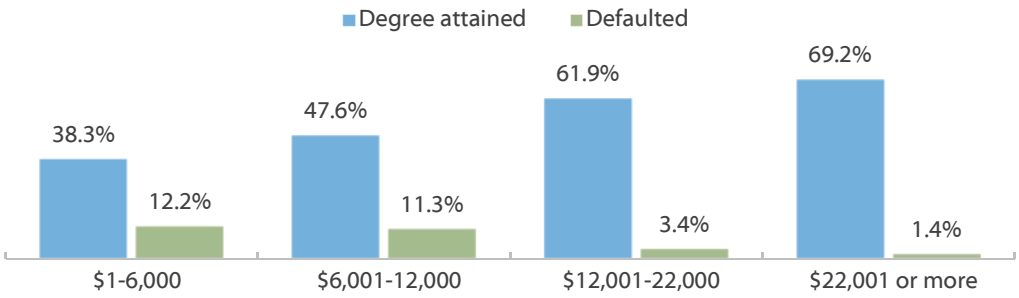
Concerns over student debt tend to focus on two trends: high default rates and high loan balances. Default rates have been slowly declining in recent years, but far too many student loan borrowers continue to default. Nationally, almost one in nine student loan borrowers who entered repayment in fiscal year 2015 defaulted in that year or the next two (a three-year cohort default rate [CDR] of 10.8 percent), but lifetime default rates are much higher. The federal Office of Management and Budget predicts that 20 to 25 percent of undergraduate Direct Loan borrowers who entered repayment in FY 2016 will default over the next 20 years, and a recent study of students who began postsecondary education in 2003-04 found that 27 percent of borrowers had defaulted within 12 years.

Although the average loan balance continues to climb, the relationship between this trend and default rates is not straightforward. In fact, borrowers who are current on their loans tend to have higher balances, while those in delinquency or default tend to have lower balances. This counterintuitive pattern has one key cause: Borrowers incur higher debts by staying in school longer.

National Average Loan Balance by Loan Status for Federal Direct Loans (Current dollars; as of Q3 2018)



Degree Attainment and Default as of 2009 by 2009 Federal Student Loan Balance for Borrowers Who Started College in 2003-2004



The common explanation for the inverse relationship between borrowing and default is that persisting to graduation requires more borrowing but also leads to higher incomes, such that the loan payments are actually more affordable. Data support this explanation, but it is incomplete. Provisions like deferments and income-driven repayment plans offer borrowers effective means to avoid defaulting on federal student loans regardless of income. Helping borrowers acquire the knowledge and skills to navigate the repayment process early on can be an effective default prevention strategy for all borrowers, especially those more likely to drop out and be at greatest risk of default.

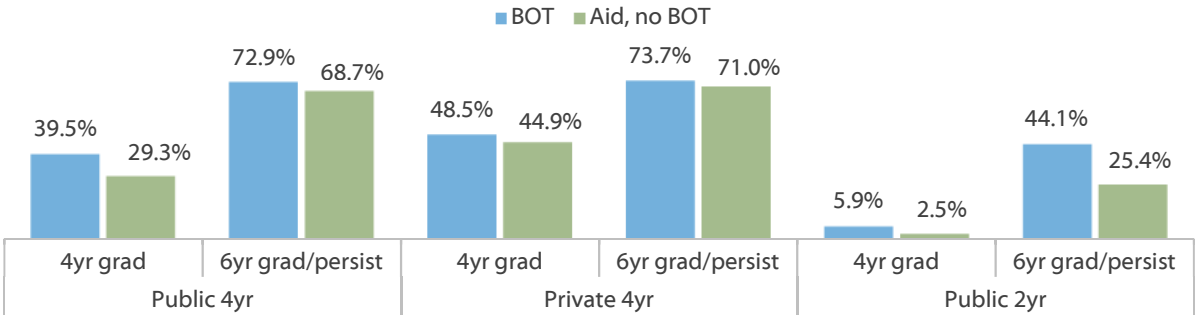
Sources: Cohort default rate: U.S. Dept of Education, "Official Cohort Default Rates for Schools", (http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html); Lifetime default projection: U.S. Office of Management and Budget, FY 2017 Budget for Dept of Education, (https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/edu.pdf); 12-year default study: Woo, J. *et* al (2017). Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First-Time Beginning Students. NCES. (https://nces.ed.gov/pubs2018/2018410.pdf); Attainment and default: Author's analysis of U.S. Dept of Education, National Center for Education Statistics, 2003-04 Beginning Postsecondary Students Longitudinal Study (BPS:04/09).

B-On-Time Loan Showed Promise But Was Underutilized

The Texas B-On-Time (BOT) Loan Program was an undergraduate student loan program that sought to increase access to higher education and encourage students to graduate on time, which costs less, and focus on academics, which should promote learning and better employment outcomes. Established in 2003, this loan was completely forgiven for borrowers who completed their degrees on time with a 3.0 GPA or higher. Loans to students at public institutions were funded by a tuition set-aside; legislative appropriations funded loans to students at private institutions. The Texas Legislature ceased the disbursement of new loans in 2013; renewal loans will be made through 2020.

Students who received BOT loans consistently graduated at higher rates than students who received aid but no BOT loan. About forty percent of public university students with BOT loans graduated in four years, compared to 29 percent for non-BOT aid recipients. According to the Texas Higher Education Coordinating Board (THECB), "these data suggest that the prospect of loan forgiveness may have been a strong enough incentive to influence behavior leading to more timely graduation".

Graduation and Persistence Rates of BOT Recipients and Non-Recipients who Received Other Aid, by Sector (program lifetime)



Despite its promise, the BOT program was underutilized. Thirty-six percent of funds were not allocated in FY 2011, and only five out of 136 institutions disbursed their entire allocation. Four-year private institutions used 90 percent of their funds, while public universities used 64 percent. Community colleges used only 3 percent of their allocation.

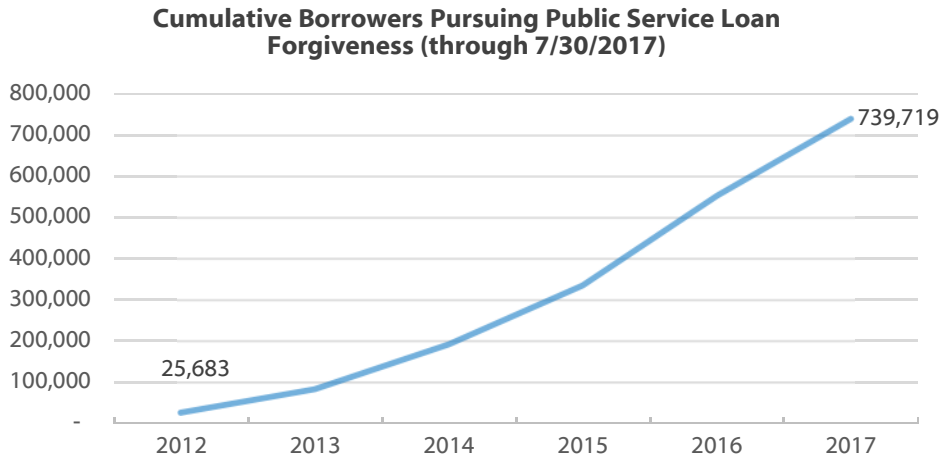
In 2013, the Sunset Advisory Commission identified several issues hindering the BOT program. These included both poor structural fit and inadequate funding at community colleges, strict eligibility requirements, complexity, and lack of awareness. Federal "preferred lender list" rules likely contributed to this lack of awareness. Created to prevent conflicts of interest with private student lending, the rules prevent college staff from volunteering information about non-federal loans unless the institution develops a "preferred lender list". This process entails risks to the institution and diverts scarce administrative resources. Public institutions, whose lower costs are less likely to require non-federal borrowing, are less likely to have preferred lender lists; this may partially explain their low utilization rates relative to private institutions. Acknowledging this issue, the Commission concluded that, "despite its flaws, the state benefits from a program [BOT] that supports access to college through no-interest loans and encourages graduation." The Commission made several recommendations to improve the program, but the state opted to phase it out.

Sources: Texas Higher Education Coordinating Board (THECB), *Report on student financial aid in Texas higher education for fiscal year 2015*, September 2016 (http://www.thecb.state.tx.us/reports/PDF/8504); Utilization: Sunset Advisory Commission, *Staff report with hearing material: Texas Higher Education Coordinating Board*, July 2013, pp. 48 (https://www.sunset.texas.gov/public/uploads/).

More Borrowers Pursue Federal Public Service Loan Forgiveness, Which Congress May Repeal

The Public Service Loan Forgiveness Program (PSLF) cancels the remaining balance of Federal Direct Loans for borrowers who have made 120 qualifying monthly payments while working full-time for certain government and non-profit employers. Qualifying payments must meet several eligibility criteria, including being made in full, within 15 days of the due date, and under an income-driven repayment (IDR) plan. PSLF first became available in 2007, and borrowers could (theoretically) have achieved 120 qualifying payments beginning in October 2017.

Borrowers who pursue PSLF take a risk. PSLF applies only to borrowers who enroll in IDR plans, which lower monthly payments but extend the payment period, resulting in higher interest costs over time. Borrowers who spend several years in IDR making qualifying payments can still lose eligibility due to employment changes, income growth, or Congressional action altering the PSLF terms; these borrowers now may face higher costs than if they had attempted to repay on the Standard Repayment Plan. Borrowers may also choose to pursue forgiveness through payment caps on certain IDR plans, though these options take longer and are also subject to Congressional action, and the Internal Revenue Service may tax this forgiveness as income (amounts forgiven under PSLF are not taxed).



Despite the uncertainty surrounding PSLF, it is increasingly popular, with 936,029 borrowers having certified their employers' eligibility as of June 30, 2018. The chart above represents unique borrowers who have received approval for an Employment Certification Form. The Department of Education introduced the voluntary Employment Certification Form (ECF) in 2012 to help borrowers establish eligibility and track their progress towards 120 qualifying payments. Though borrowers can wait to document their eligibility until requesting forgiveness, the number of borrowers who have had at least one ECF approved is currently the best proxy for borrowers pursuing PSLF. The Department has also denied over 841,000 ECFs since 2012 (this counts denials issued to borrowers who may have been denied previously).

Sources: U.S. Department of Education, Federal Student Aid: https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service/questions; U.S. Department of Education, Federal Student Aid, PSLF Employment Certification Forms Report: https://studentaid.ed.gov/sa/about/data-center/student/portfolio; U.S. House Committee of Education and the Workforce, PROSPER Act: https://www.congress.gov/bill/115th-congress/house-bill/4508

Texas Legislature Examines Higher Ed Funding After Rejecting Re-Regulation of Tuition

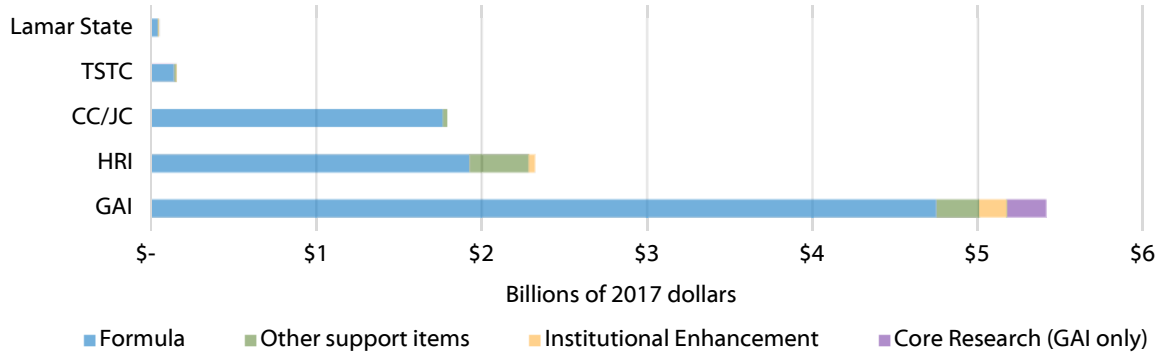
The 85th Texas Legislature (2017) considered but did not enact two major bills related to Texas higher education finance: Senate Bills (SB) 19 and 543.

- **SB 19** would have frozen four-year public university tuition and fees at 2016-17 levels.
- **SB 543** would have prohibited institutions from raising tuition at a rate greater than the rate of inflation unless they met at least six of 11 performance targets and would have prohibited any tuition increase larger than three percent.

Although the Legislature ultimately did not pass these bills (SB 19 passed the Senate), it did create a committee to explore higher education financing in the interim before the 86th Legislature. The **Joint Interim Committee on Higher Education Formula Funding** was charged to examine the two methods through which the Legislature directly appropriates funds to public universities:

1. **Formula funding**
   - Based on rates applied to various budget categories, like Instruction and Operations, Educational and General Space, and Contact Hours, but spending is not limited to those purposes
   - Some differences based on institutional sector, notably that the formula for Technical State Colleges is entirely based on the incomes of graduates relative to the minimum wage, and ten percent of community college formula funding is based on academic success metrics
2. **Non-formula funding ("Support items", etc.)**
   - Must be used for explicitly specified purposes, though some funds offer flexibility
   - Includes Support items (formerly "special items"), which include Institutional Enhancement, instruction support, public service items, research, health care, and residency training items; and general research funds (e.g. Research Development Fund, Competitive Knowledge Fund)

2018-19 Texas Legislative Higher Education Appropriations (All Funds) by Sector and Fund Type



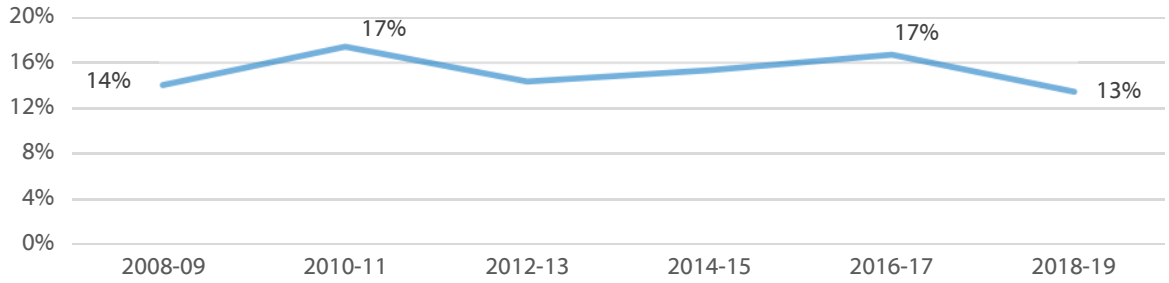
The mix of formula and non-formula funding allocated in the 2018-19 General Appropriations Act varied significantly between institutional sectors. By volume, non-formula funding was highest for General Academic Institutions (GAI), but by proportion it was highest for Health-Related Institutions (HRI) and Lamar State Colleges. Appropriations to GAIs (including system offices) consisted of about $4.75 billion in formula funding and $666 million in non-formula funding for a non-formula funding percentage of about 12 percent. For HRIs, non-formula funding of $398 million constituted about 17 percent of appropriations, given $1.93 billion in formula funding. Non-formula funding is also about 17 percent of the appropriations for Lamar State Colleges, which totals about $53.4 million, but 11 percent of appropriations for Texas State Technical Colleges (TSTC) and only 2 percent of the $1.8 billion appropriated to community and junior colleges (CC/JC).

Sources: Texas Legislative History: https://capitol.texas.gov/ ; Joint Interim Committee: http://www.senate.state.tx.us/cmte.php?c=940; 2018-19 Texas Higher Education Appropriations: Legislative Budget Board, General Appropriations Act for the 2018-19 Biennium, http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf ; Summary of Higher Education Non-formula Support Items, http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary_Higher_Education_Non-formula_Support.pdf ; Texas Higher Education Coordinating Board, Overview of Formula Funding, http://www.thecb.state.tx.us/index.cfm?objectid=4EA741D3-C76D-FBC5-04F664C233E8802B

Decrease in Non-Formula Funding Causes Net Appropriations Decrease for Texas Academic Institutions

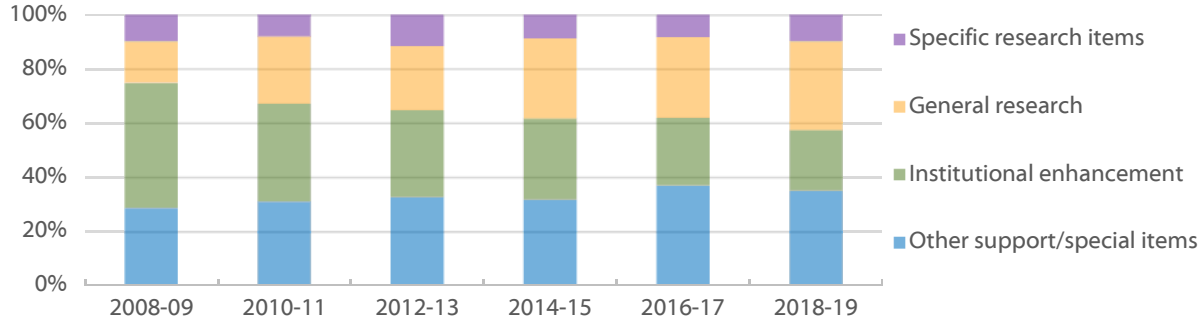
Although it rejected proposed changes to the way the state of Texas funds institutions of higher education, the 85th Texas Legislature (2017) passed a General Appropriations Act (budget) that lowered the proportion of appropriations to General Academic Institutions (GAI) covered by non-formula funding to its lowest level in the past 12 years.

Non-Formula Funding as Percentage of TX Legislative Appropriations to GAIs, by Biennium



The drop in the percentage of non-formula GAI appropriations is due to the increase in formula funds by about $85 million and decrease in non-formula funds by about $198 million from the 2016-17 budget, resulting in a net decrease of GAI appropriations of about $123 million. Appropriations decreased in every major category of non-formula funding, but the bulk of the decrease occurred in Institutional Enhancement (down about 30 percent from $235 million to $166 million) and other support items (down about 25 percent from $346 million to $258 million). As shown in the chart below, the decrease in Institutional Enhancement reflects the historical trend, while the decrease in other support items represents a partial return to the historical norm after a spike in 2016-17.

Composition of TX Non-Formula Funding to GAIs, by Subcategory and Biennium



The two major trends in the composition of non-formula appropriations are the growth of general research funds, which have roughly doubled to 33 percent since 2008-09, and the decrease in Institutional Enhancement, cut by more than half to 22 percent over the same period.

Notes: These subcategories compare to the structure of the General Appropriations Act as follows: Institutional Enhancement is a single line item under Non-Formula Support Items; specific research items are line items under the Research subheading of Non-Formula Support Items; other support items are all other items under Non-Formula Support Items; and general research funds includes the Research Development Fund, the Comprehensive Research Fund, Core Research Support, and the Competitive Knowledge Fund. These items have not all existed or been funded in every budget since 2008-09, and only some fall under Non-Formula Support Items.

Sources: Legislative Budget Board, General Appropriations Act for the 2018-19 Biennium, http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf ; Summary of Higher Education Non-formula Support Items, http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary_Higher_Education_Non-formula_Support.pdf ; Texas Higher Education Coordinating Board, Overview of Formula Funding, http://www.thecb.state.tx.us/index.cfm?objectid=4EA741D3-C76D-FBC5-04F664C233E8802B