



State of Student Aid and Higher Education in Texas

January 2017

By Chris Fernandez, Carla Fletcher, and Kasey Klepfer

TG Research

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January 2017

TO: Colleagues
FROM: James Patterson, President and CEO
RE: 2017 State of Student Aid and Higher Education in Texas

TG offers critical support to schools, students, and borrowers at every stage of the federal student aid process — from providing information on how to pay for a higher education, including financial aid options, to facilitating successful loan repayment after graduation. As part of that support, I am pleased to present TG’s latest issue of *State of Student Aid and Higher Education in Texas*. The publication offers Texas policymakers, their staff members, and members of the student financial aid community an overview of key facts that describe student financial aid in Texas.

Our changing economy rewards workers who can think critically, solve problems creatively, and master technical skills in multiple areas. Postsecondary education nurtures and hones these abilities, and success in college is the best predictor of later financial success and other quality-of-life benefits.

Texas is experiencing rapid and profound demographic changes. The state’s population growth is being fueled by a dramatic increase in the number of young Hispanics, a group that historically has been underrepresented in higher education. The economic vitality of the state will largely depend on how thoroughly financial barriers to education are removed. TG plays a significant role in helping students achieve their educational goals.

Both the Texas Legislature and the U.S. Congress understand the importance of providing access to college and have sought to ensure that qualified students can get a college education. *State of Student Aid and Higher Education in Texas* serves as a resource for those in search of information concerning demographic changes, educational attainment, college costs, financial aid programs, and student debt.

Please direct questions and comments about this report to George Torres, TG senior advisor to the president, at (800) 252-9743, ext. 4503 or george.torres@tgslc.org, or to Jeff Webster, TG director of research, at (800) 252-9743, ext. 4504 or jeff.webster@tgslc.org. TG would like you to consider the corporation as a primary resource for information about the types and levels of the major student financial aid programs that are currently available to Texas students and families, and how Texas compares to the nation as a whole.

Sincerely,

James Patterson
President and CEO
TG

TG promotes educational access and success so that students can realize their college and career dreams. As a private, nonprofit corporation, TG offers resources to help students and families plan and prepare for college, learn the basics of money management, and repay their federal student loans.

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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.



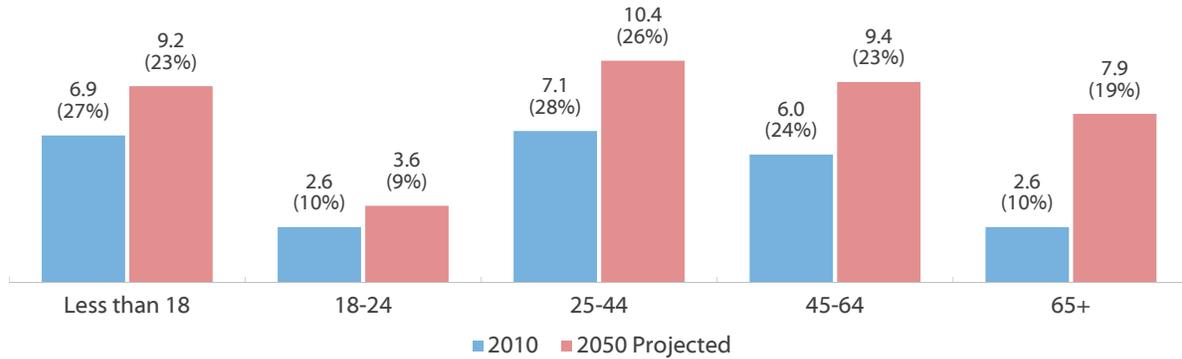
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SECTION 1

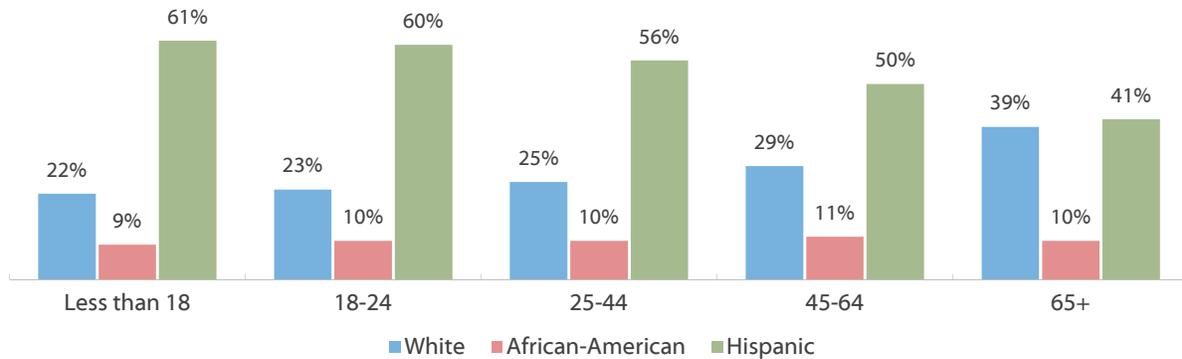
Texas Demographics

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.

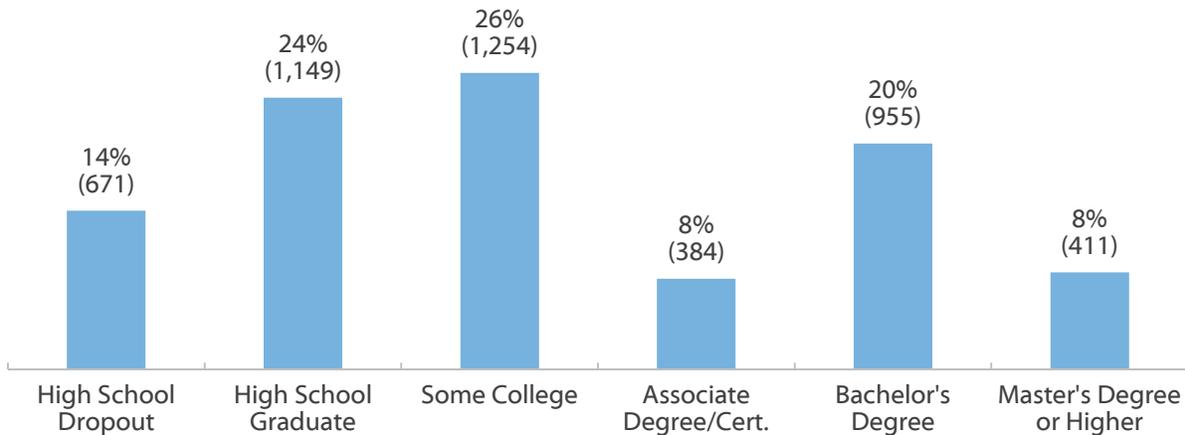
* Based on the 0.5 scenario, which assumes half the net migration into state as was recorded from 2000 to 2010. The State Demographer suggests that the 0.5 scenario is most appropriate for long-term planning.

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/>).

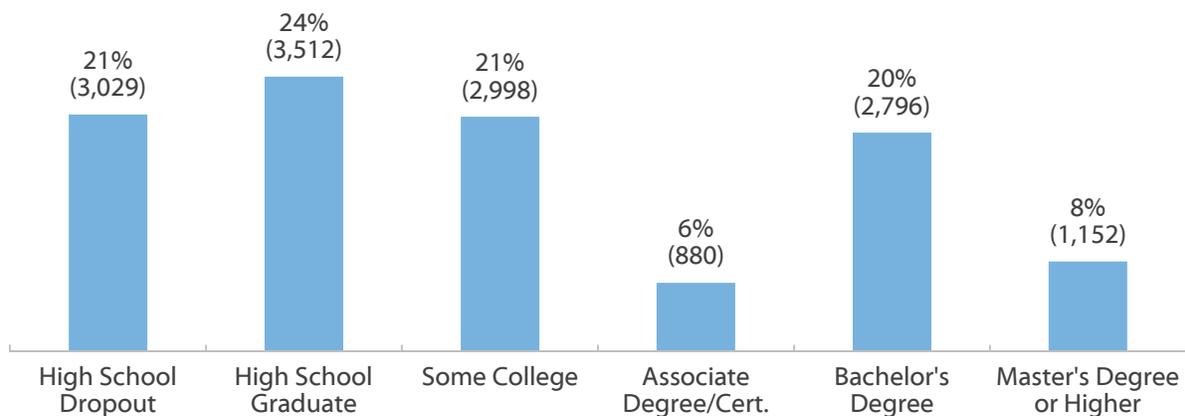


More Than Half of Jobs in Texas Will Require Postsecondary Education by 2020

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.

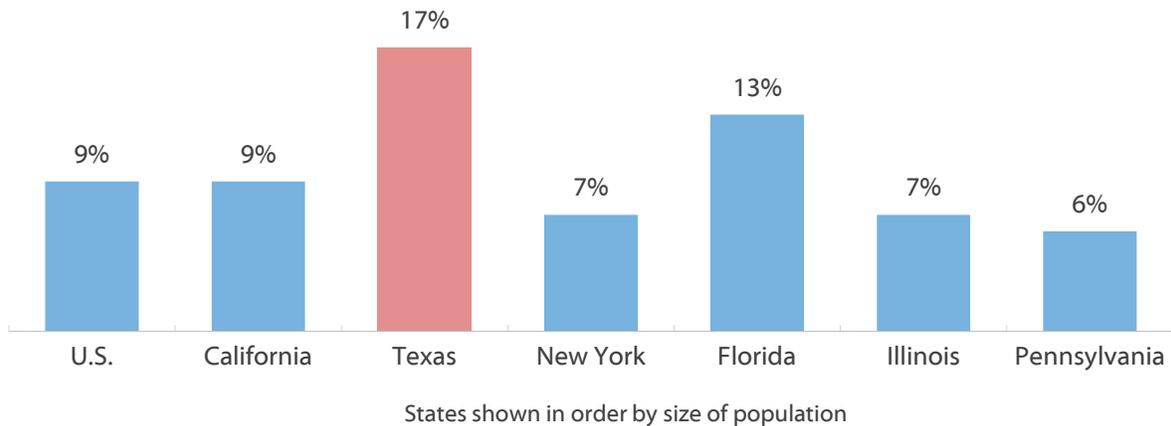
For employees without any postsecondary education, most job openings by 2020 will come from the food service, personal service, and blue collar occupations, such as construction, production, and transportation. Openings that generally require postsecondary education will be concentrated in sales and 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

People Without Health Insurance, by State (2015)

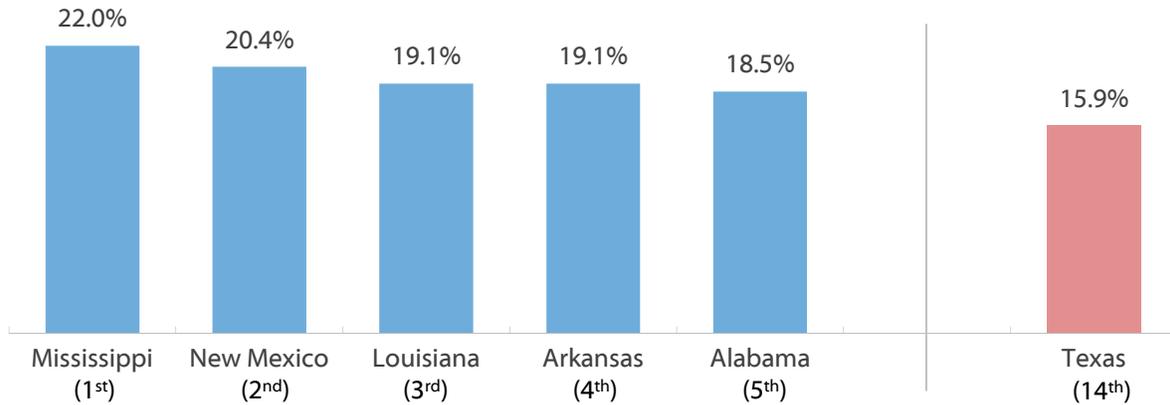


About nine percent of Americans lacked health insurance in 2015. The percentage is much higher in Texas. At 17 percent, Texas is almost twice the national average. It has the highest percentage of any state, with Alaska coming in second at fifteen percent.

If a college student or family member were to become ill and did not have health insurance, it could be financially devastating and cause the student to drop out of college.

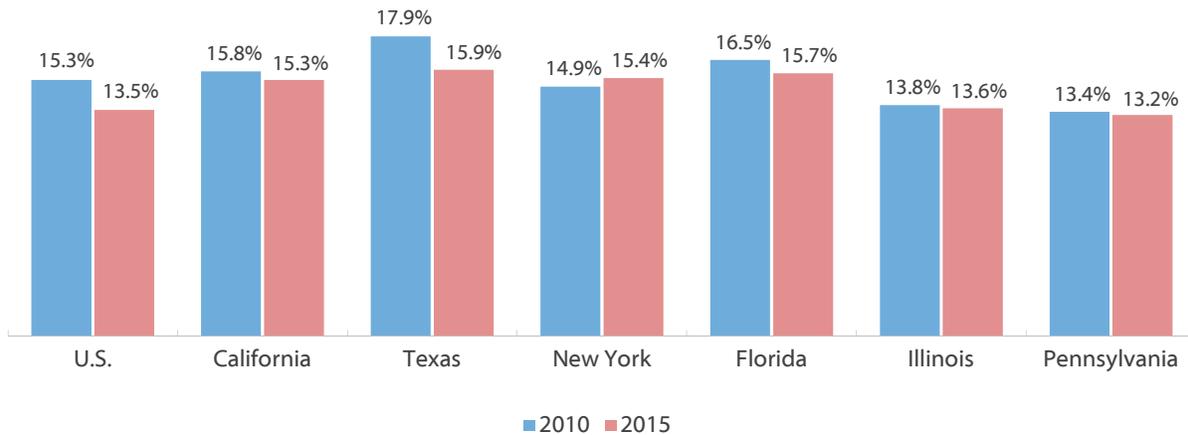
Texas Poverty Rate Fourteenth Highest in Nation

People in Poverty, States with Highest Rates (2015)



An average of 13.5 percent of people in the U.S. lived in poverty in 2015, down from 15.5 percent in 2014. Texas has the fourteenth highest poverty rate in the nation and a poverty rate higher than the national average. In 2015, 15.9 percent of Texans lived below the poverty line, down from 17.2 percent in 2014. In 2015, poverty was defined as having an income of \$24,036 or less for a family of four with two children, or \$12,331 or less for an individual under 65 years old.

People in Poverty, Largest States (2015)



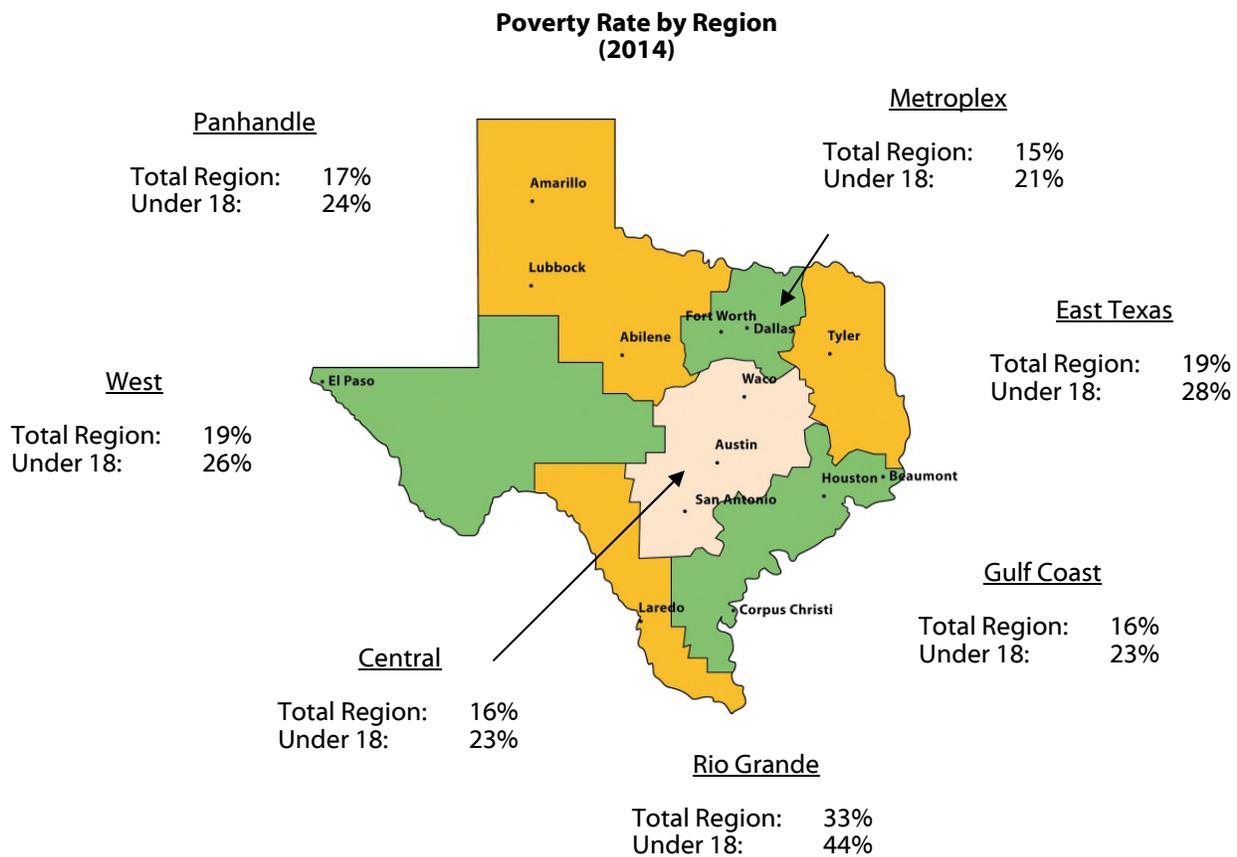
States shown in order by size of population

At 15.9 percent, Texas continues to have the highest poverty rate among the six largest states, followed by Florida, at 15.7 percent. All of the six largest states and the nation overall saw a decrease in poverty rate between 2010 and 2015 except for New York.

Sources: Poverty Rates: U.S. Census Bureau, "Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2010-2011 and 2014-2015" (<http://www.census.gov/topics/income-poverty/poverty.html>); Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2015" (<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>)



Poverty Rates Are High in the Rio Grande Region



The 2014 poverty rates in Texas were 17 percent overall and 24 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 33 and 44 percent respectively – at least 14 percentage points higher than the next highest region. The Metroplex region had the lowest rates of poverty at 15 percent overall and 21 percent for those under 18.

In 2014, poverty was defined as having an income of \$24,008 or less for a family of four with two children, or \$12,316 or less for an individual under 65 years old.

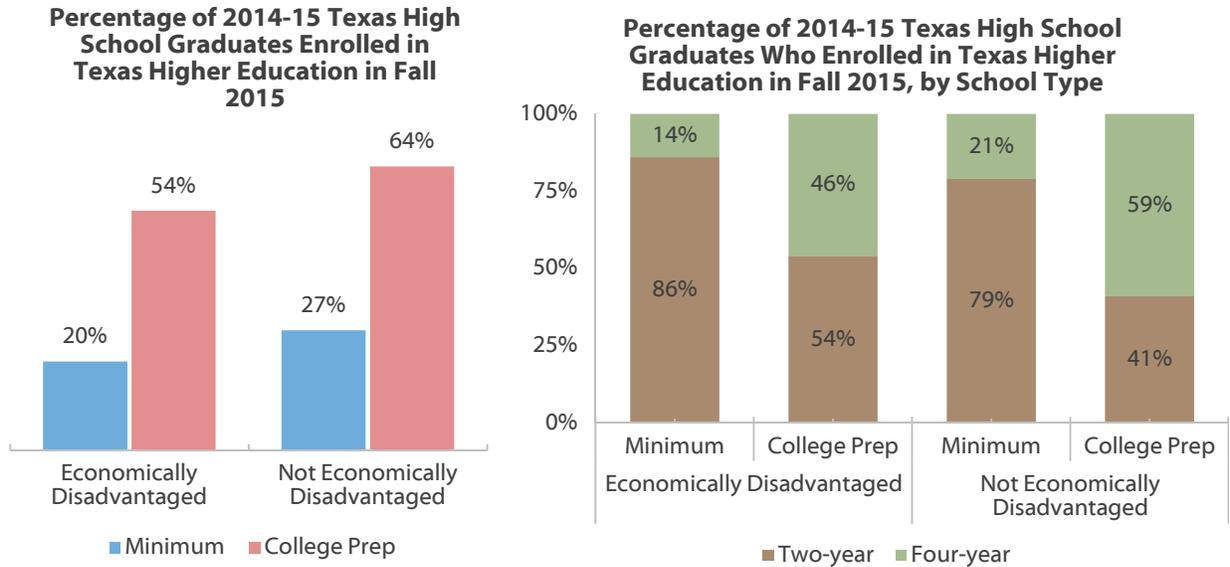
Sources: Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2014" (<http://www.census.gov/hhes/www/poverty/data/threshld/>); Poverty rates by region: U.S. Department of Agriculture, Economic Research Service, "Poverty estimates for the U.S., States, and counties, 2014" (<http://www.ers.usda.gov/data-products/county-level-data-sets/download-data.aspx>).



SECTION 2

Texas College Readiness

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 2014–15, high school graduates with College Prep* diplomas were more likely to enroll in college immediately following graduation, with 54 percent of economically disadvantaged** students with College Prep diplomas enrolling in college compared to 20 percent of those with minimum diplomas. For students who were not economically disadvantaged, 64 percent of those with College Prep diplomas enrolled in college compared to 27 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.

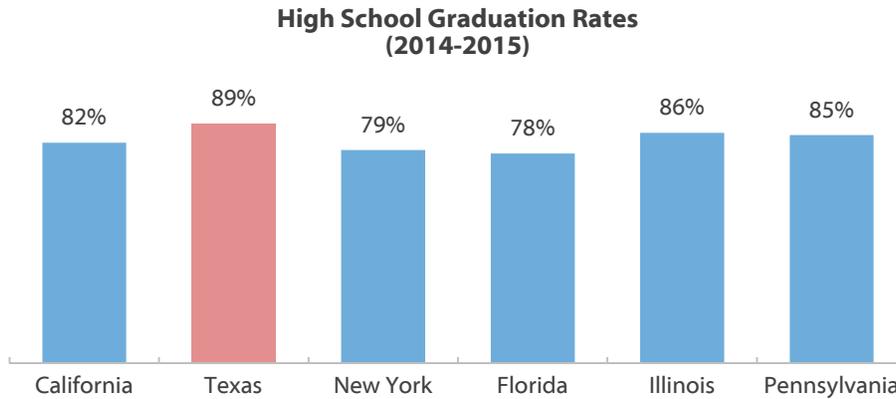
*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep diploma for the purposes of this analysis, and a graduate of the Foundation or Minimum achievement program is considered a Minimum program. The Recommended and Distinguished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

** 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.

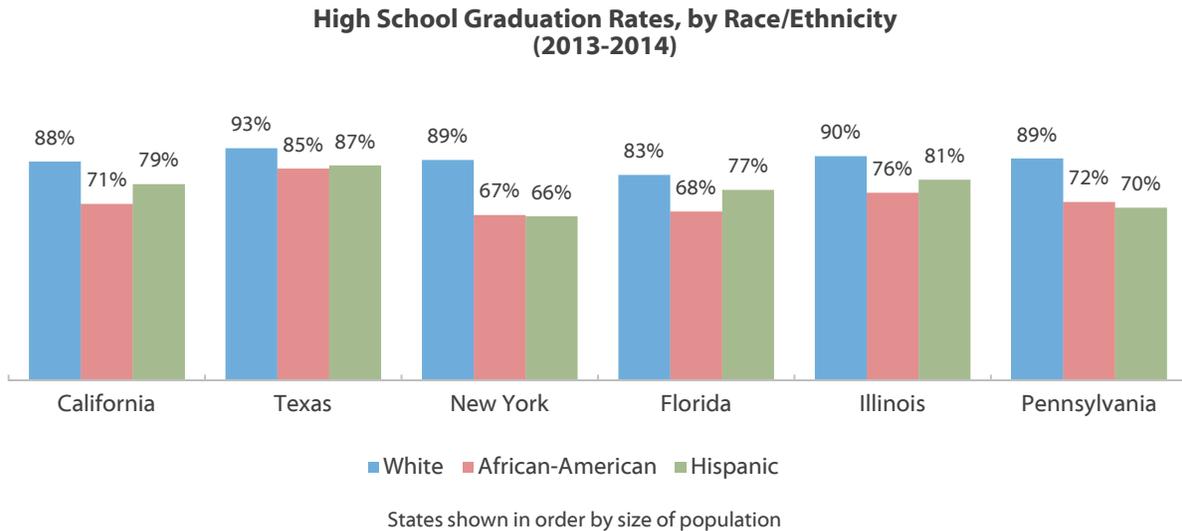
Sources: High school curriculum and degree completion: U.S. Department of Education, Office of Educational Research and Improvement, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor’s Degree Attainment*, by Clifford Adelman (1999) (<http://www2.ed.gov/pubs/Toolbox/toolbox.html>); Side-by-Side Comparison: Texas Graduation Programs 2014-2015: (file:///C:/Users/tgksk/Downloads/SidebySideGraduationPrograms_030114.pdf); All other: THECB, “2014-2015 Texas High School Graduates Enrolled in Higher Education Fall 2015, by Economic Category, Diploma Type, and Ethnicity” (unpublished tables).



Texas Ranks Near Top in High School Graduation Rates



Texas ranked fourth in the nation for high school graduation rates in 2014-2015, tying with 2 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 2014-2015 was 83 percent.



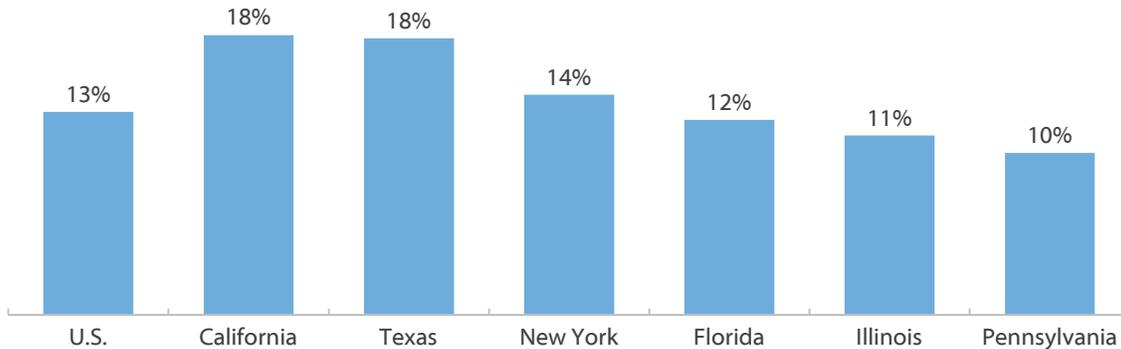
The recent increases in high school graduation rates have been due in part to dramatic reductions in the number of “dropout factory” high schools in the past 10 years. These schools are defined as having 60 percent or less of their ninth grade class still enrolled in their senior year. In 2002, more than 2.6 million students were enrolled in these type “dropout factory” high schools compared to around 900,000 in 2014.

Sources: Graduation Rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<http://www.eddataexpress.ed.gov/>); All else: America’s Promise Alliance, *Building a Grad Nation: Progress and Challenge in Ending the High School Dropout Epidemic, 2016 Report* (http://www.gradnation.org/sites/default/files/civic_2016_full_report_FNL2-2_0.pdf).



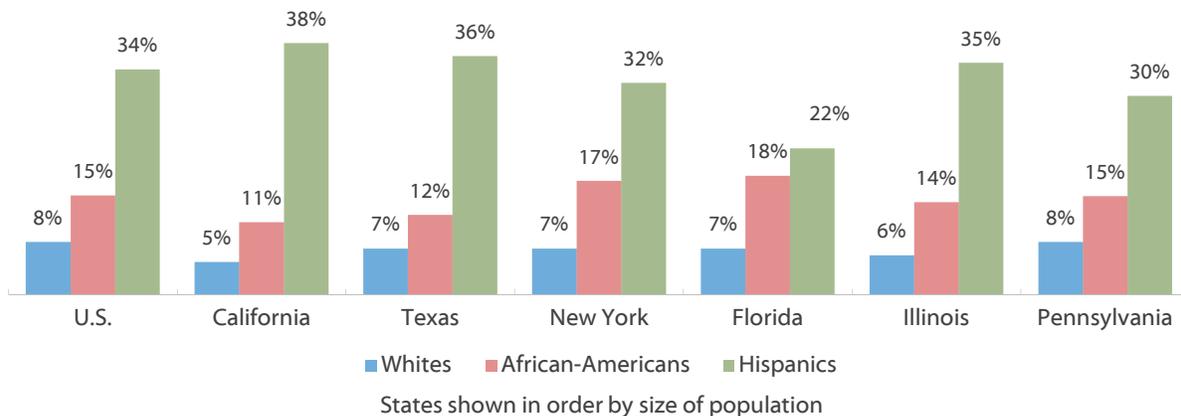
Texas Has Largest Percentage of People Age 25 and Older Lacking a High School Education

People Age 25 and Older Who Have Not Finished High School (2014)



In 2014, 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.

People Age 25 and Older Who Have Not Finished High School (2014)



The 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:

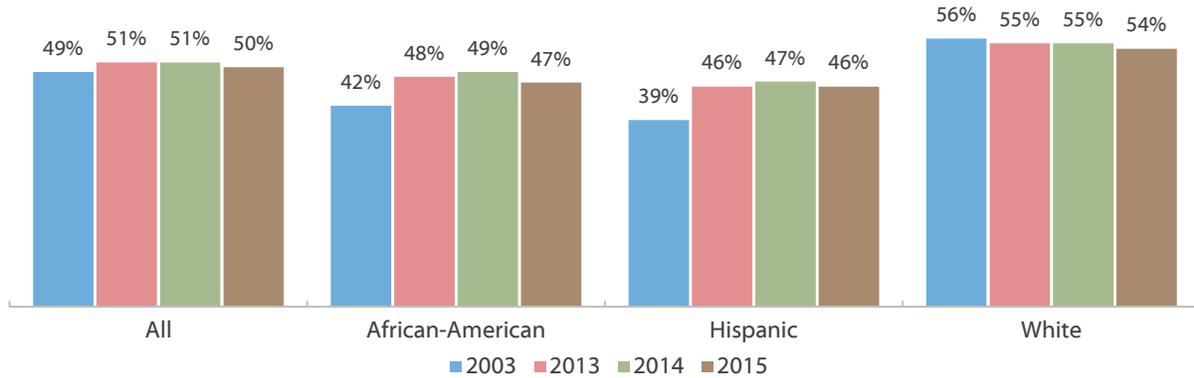
- Hispanics, who comprised over a third of the Texas population in 2014 and who are projected to comprise 53 percent by 2050, are the least likely to have obtained a high school diploma. As of 2014, 36 percent of Hispanics age 25 and older had not finished high school.
- Approximately 12 percent of African-Americans 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,” 2014 (<http://www.txsd.c.utsa.edu/Data/TPEPP/Projections/Index.aspx>). High school completion among 25 and older: U.S. Census Bureau, 2015 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://www.eddataexpress.edu.gov/>).



Percentage of Texas High School Graduates Who Enroll in College Immediately after High School Remains Level

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



The 2010 U.S. Census revealed that a smaller percentage of the Texas population participated in higher education than in other large states and the U.S. as a whole. About 9.5 percent of the Texas population age 18 and older was enrolled in higher education in 2010, versus 11.2 percent for California, 10.0 percent for New York, and 9.9 percent for the nation.

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. A 2006 goal revision called for the number of students enrolled to increase from the original goal of 500,000 by 2015 to 630,000 by 2015. Also, the goal for the overall number of degrees awarded by 2015 was adjusted from the original goal of 163,000 to 210,000.

Although increasing the percentage of high school graduates who go on to college is not an official “closing the gaps” goal, the Texas Higher Education Coordinating Board (THECB) reports that the percentage of students entering college in the summer or fall immediately after high school graduation* gradually increased from 2003 to 2011. However, between 2012-2014 this percentage remained constant across Texas at 51 percent. Currently, about half of all 2015 Texas high school graduates enrolled in a Texas public college or university by that fall, up from 49 percent in 2003. The percentage of Whites who enroll still exceeds the percentage of non-Whites; however, this gap is closing. For Hispanics, the percentage enrolling in college immediately after high school has increased greatly since 2003. Keeping track of this statistic is important, because delaying postsecondary enrollment after high school graduation is a risk factor for eventually dropping out of college or never enrolling.

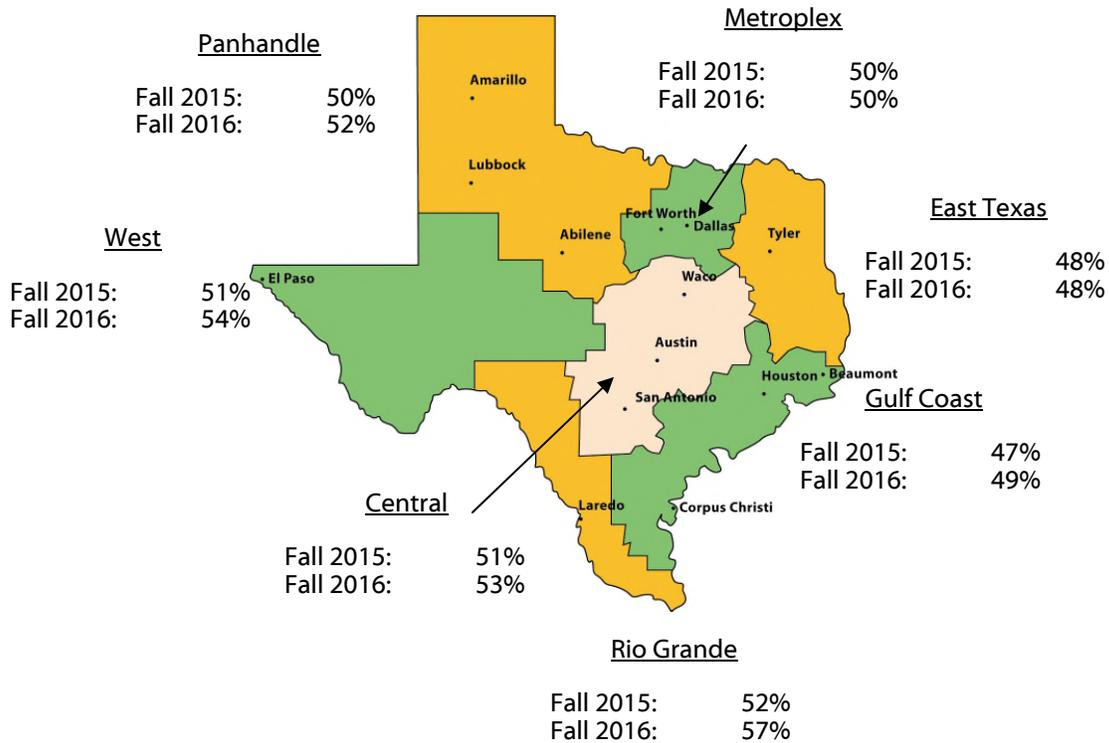
* Includes only Texas high school graduates who enrolled in a Texas public or private, nonprofit college or university. Data on students who enrolled at proprietary institutions or enrolled in out-of-state schools are not available. In AY 2007–2008, about 93 percent of Texas students who enrolled in 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>); “Closing the Gaps” revised goals: Closing the Gaps Revised Goals and Targets for 2015 (<http://www.thecb.state.tx.us/reports/PDF/1176.PDF>); Percentage enrolled in higher education: U.S. Census Bureau, *Census 2000*, General Demographic Characteristics – DP-1 (population age 18 and over) and General Social Characteristics (population enrolled in higher education) (<http://www.census.gov/main/www/cen2000.html>); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2015, “High School Graduates Enrolled in Higher Education the Following Fall: [State Summary](#) by Ethnicity and Higher Education Sector, Fall 2000 to Fall 2013” (<http://www.txhighereddata.org/index.cfm?objectid=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A>).



Rio Grande Valley Has Highest FAFSA Completion Rates in Texas

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 Office of Federal Student Aid (FSA), part of 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. Because of the importance of filling out the FAFSA and the strong correlation between FAFSA completion and college attendance, FSA has made data on FAFSA completion available to high schools and the public.

With the exception of the Gulf Coast and East Texas regions, 50 percent or more of the seniors in the high school class of 2015-2016 completed the FAFSA. Completion rates increased from the 2014-2015 high school class in all but the Metroplex and East Texas regions. At 57 percent, schools in the Rio Grande Valley had the highest completion rate.

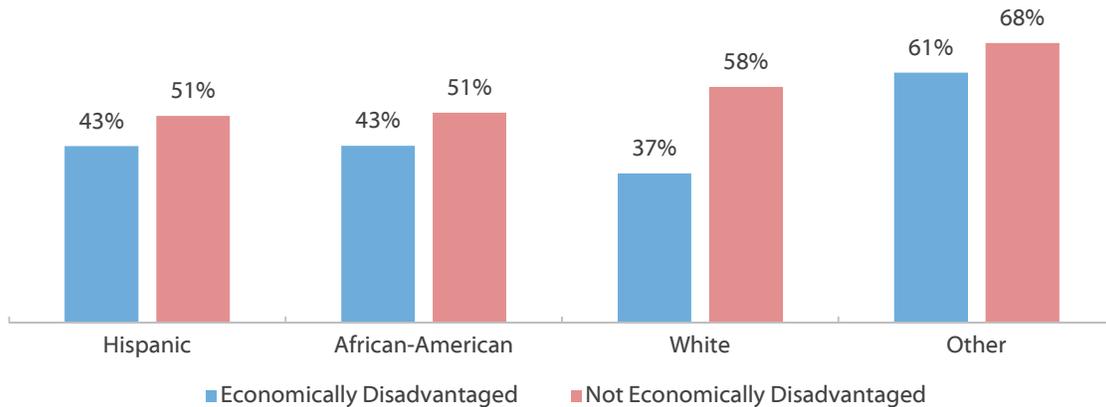
* Fall 2015 represents the class of 2014-2015 high school seniors completing the FAFSA as of October 23, 2015; Fall 2016 represents the class of 2015-2016 high school seniors completing the FAFSA as of October 28, 2016.

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.



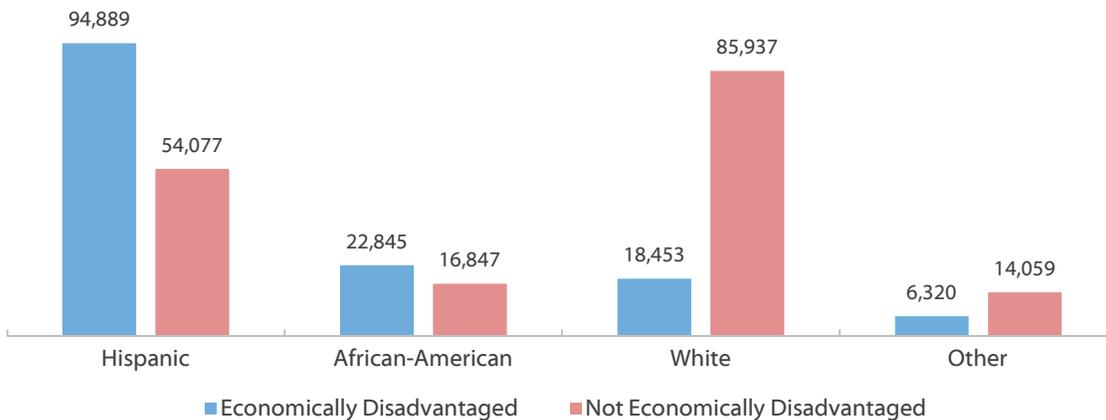
Low-Income Texas Students Are Less Likely to Enroll in College

Percentage of 2014-15 Texas High School Graduates Enrolled in Texas Higher Education in Fall 2015, 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 2014-15 Texas High School Graduates, by Ethnicity



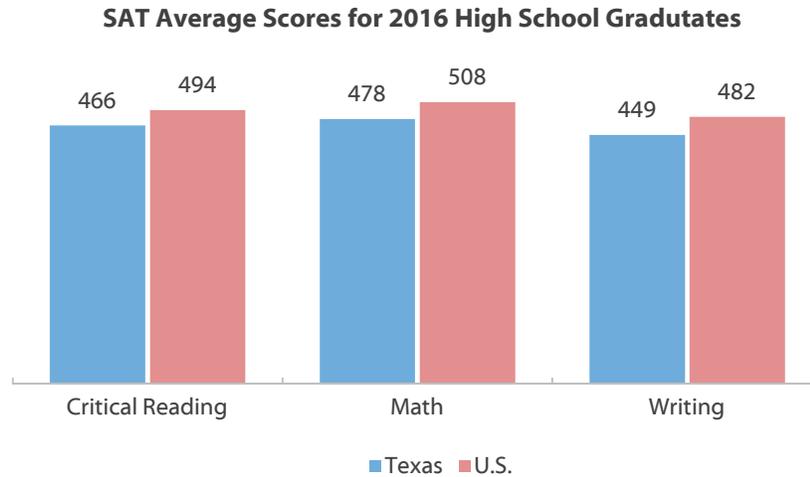
Only 18 percent of White high school graduates in Texas are considered to be economically disadvantaged, while 64 percent of Hispanic and 58 percent of African-American high school graduates are considered economically disadvantaged.

*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.

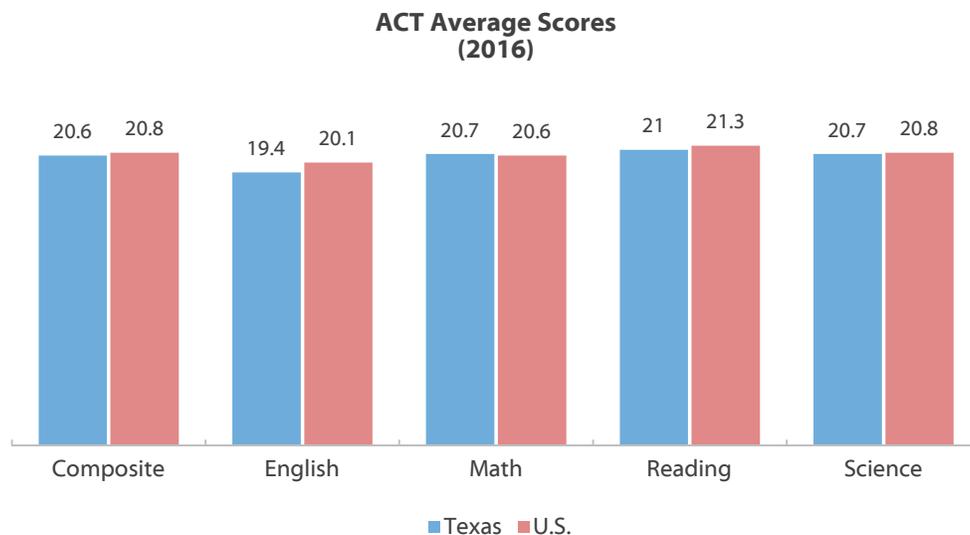
Sources: The Texas Higher Education Coordinating Board, “2014-2015 High School Graduates Enrolled in Higher Education Fall 2015, by Diploma Type and Ethnicity” (unpublished tables).



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



More than 196,000 Texas high school seniors and 1.63 million high school seniors nationwide — well over half the total graduating class for both groups — took the SAT in the 2014–2015 school year. Average SAT scores are lower in Texas compared to the U.S. in all categories.



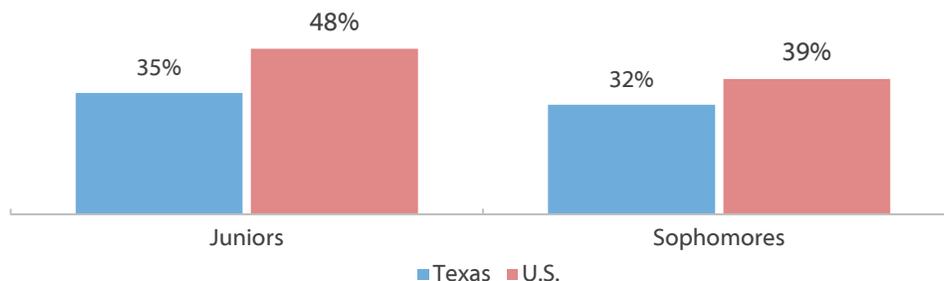
The American College Test (ACT) is less popular in Texas than the SAT but may be gaining in popularity. Forty-six percent of 2015-2016 Texas high school graduates took the ACT, up from 39 percent since 2012. Nationally, 64 percent of high school graduates took the exam. While average ACT composite scores 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 <https://research.collegeboard.org/programs/sat/data/cb-seniors-2016>, ACT: ACT, National and State Scores 2016 (<http://www.act.org/newsroom/data/>).



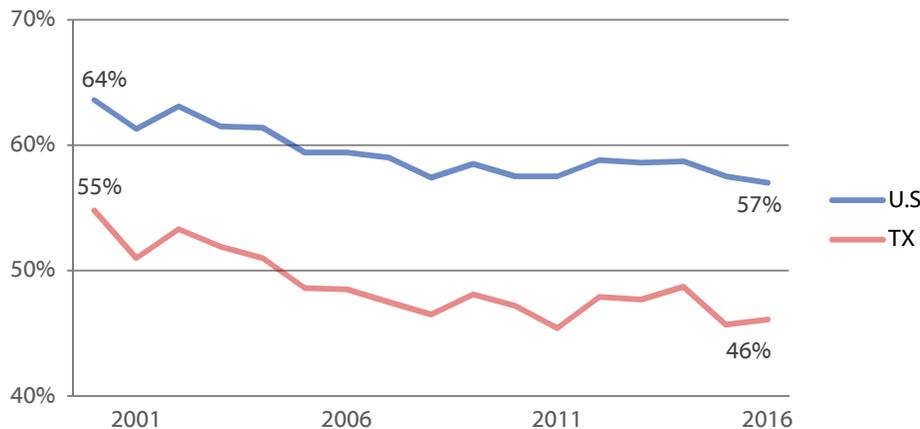
Texas High School Students Lag Behind Students Nationally in College Readiness

PSAT/NMSQT Test Takers Who Are on Track to be College Ready (2014-2015)



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 in college readiness.

Percent of AP Test Takers who Scored at Least a 3 on at Least One AP Test (2000 - 2016)



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.

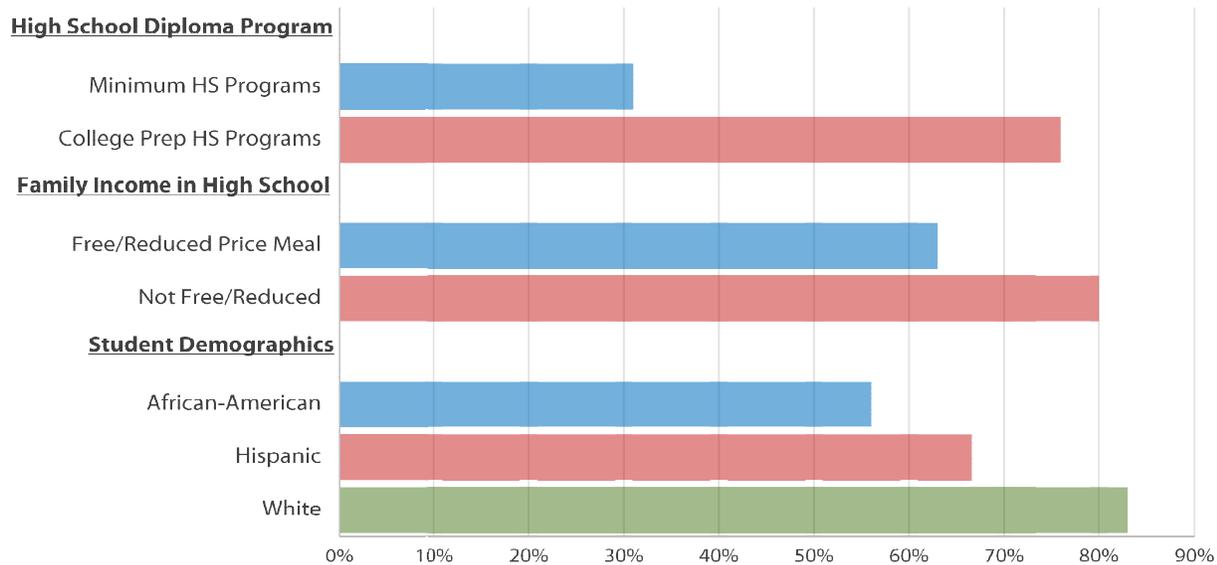
Twenty-seven percent of 2016 public high school 11th- and 12th-graders in Texas took an AP exam in high school, compared to 26 percent for the nation as a whole. Although a slightly higher proportion of Texas graduates took exams, Texas trailed the nation in success rates, with 46 percent of test takers earning at least a 3 on an AP exam compared to 57 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 (<http://research.collegeboard.org/programs/psat/data/cb-1r>); AP: The College Board, AP Program and Participation Data 2016 (<https://research.collegeboard.org/programs/ap/data/participation/ap-2016>)



The Importance of College Prep Programs in High School

Percent of 2013-14 Texas High School Graduates, Enrolled in Texas Higher Education in Fall 2014 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 2013-14 high school graduates who enrolled in higher education the following fall, 73 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. Seventy-six percent of students in the College Prep diploma program met all TSI standards, compared to just 31 percent of those completing the minimum diploma program.

Low-income high school graduates were also less prepared for college than their peers. Sixty-three 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 80 percent of students who did not receive free or reduced price meals. College readiness measures also varied based on student demographics. Eighty-three percent of White students met all TSI standards, compared to 67 percent of Hispanic students and 56 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 Foundation and Minimum programs have fewer required completed credits (22).

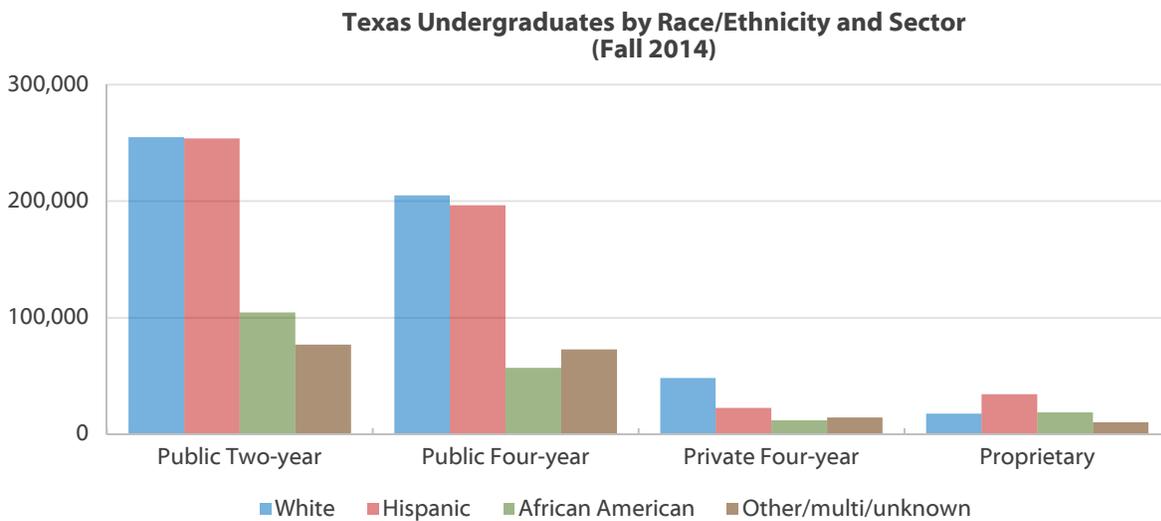
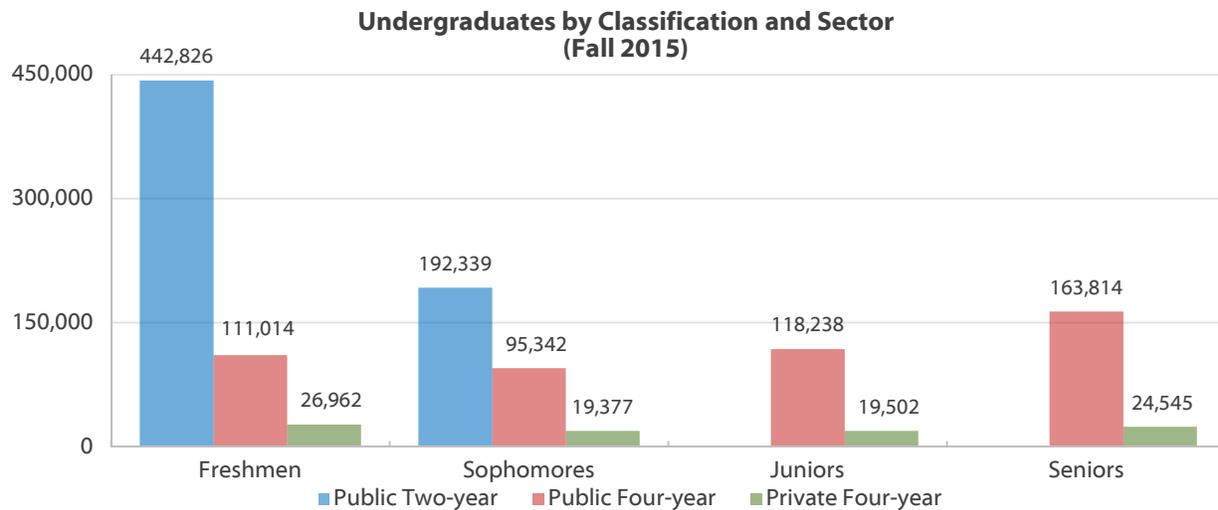
Source: TSI Description and Requirements, College for All Texas, (<http://www.collegeforalltexans.com/index.cfm?objectid=63176344-FFFA-217B-60C9A0E86629B3CA>). Student Performance on Texas Success Initiative (TSI) Readiness Measures 2013-14 High School Graduates Enrolled in Texas Public Higher Education in Fall 2014, THECB, September 2015. (<http://www.thecb.state.tx.us/reports/PDF/6849.PDF?CFID=51345397&CFTOKEN=71711012>)



SECTION 3

Profile of Texas College Students

Most Undergraduates in Texas Attend Two-year Institutions



Public colleges and universities in Texas enrolled 1,337,724 undergraduate and 122,066 graduate students in fall 2015 (THECB; 2014 data above are from IPEDS to include proprietary 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, especially for freshmen. In fact, 80 percent of all freshmen attending Texas public institutions of higher education in fall 2015 were enrolled at two-year colleges (up from 76 percent in fall 2000), and only 20 percent were enrolled at four-year universities.

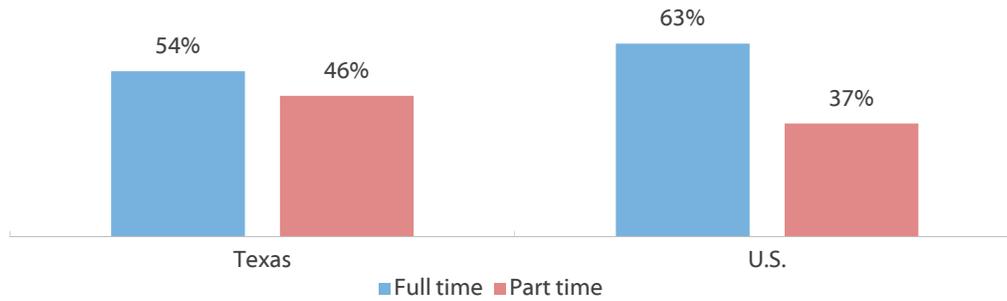
Texas colleges and universities are exceptionally diverse. While White students represent a plurality at all but proprietary institutions, they are not the majority of students in any sector.

Sources: Enrollment by classification: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Profile Reports Electronically Produced (PREP), Enrollment Statewide by Institution Type and Classification (http://www.txhighereddata.org/Interactive/PREP_New/). Enrollment by race (fall 2014): U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<http://nces.ed.gov/ipeds/>); Enrollment by race (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>).

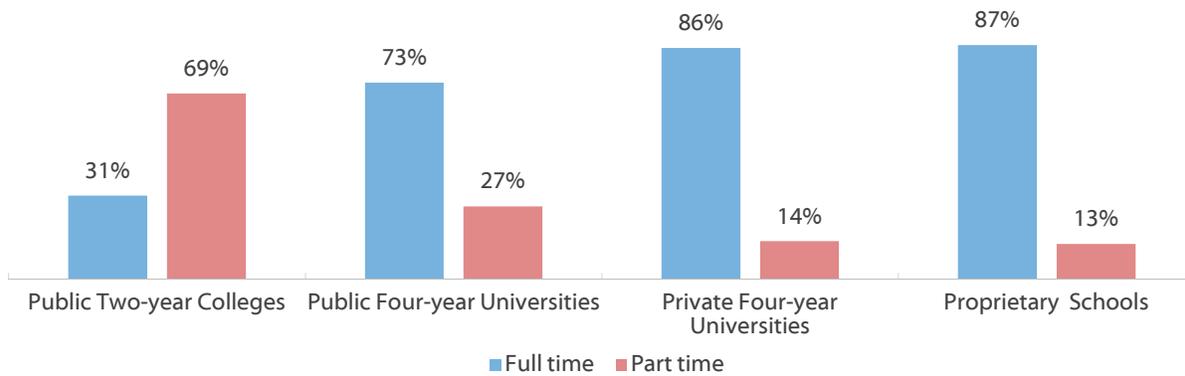


Nearly Half of Undergraduates in Texas Enroll in School Part Time

Enrollment Intensity of Undergraduates in Texas and the U.S. (Fall 2014)



Enrollment Intensity of Undergraduates in Texas by School Sector (Fall 2014)



Part-time enrollment is more common in Texas than in the nation as a whole. As of fall 2014 about 54 percent of undergraduates in Texas were classified as full-time students. Full-time attendance is most common at proprietary colleges, followed closely by private four-year universities, then public four-year universities. At public two-year colleges, the largest sector by enrollments, only about 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.

More current Texas Higher Education Coordinating Board data on enrollment intensity, which show an increase in part-time enrollment at community colleges and decrease at universities, may indicate that students who have greater financial need and/or work more hours are increasingly likely to enroll at community colleges.

Enrollment Intensity of Undergraduates in Texas by Sector (Fall 2015)

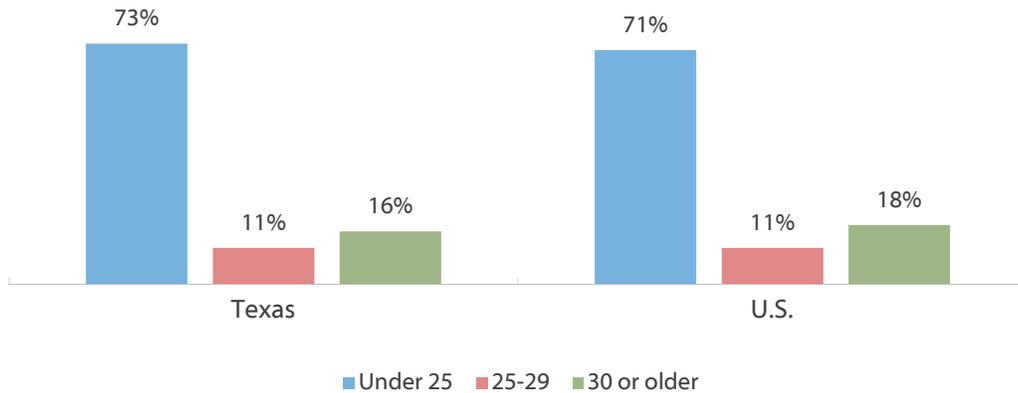
Sector	% Part-time	% Full-time	# Part-time (approx.)	# Full-time (approx.)	Total
Public Two-year	75%	25%	542,059	176,490	718,549
Public Four-year	23%	77%	141,172	478,003	619,175

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<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>).

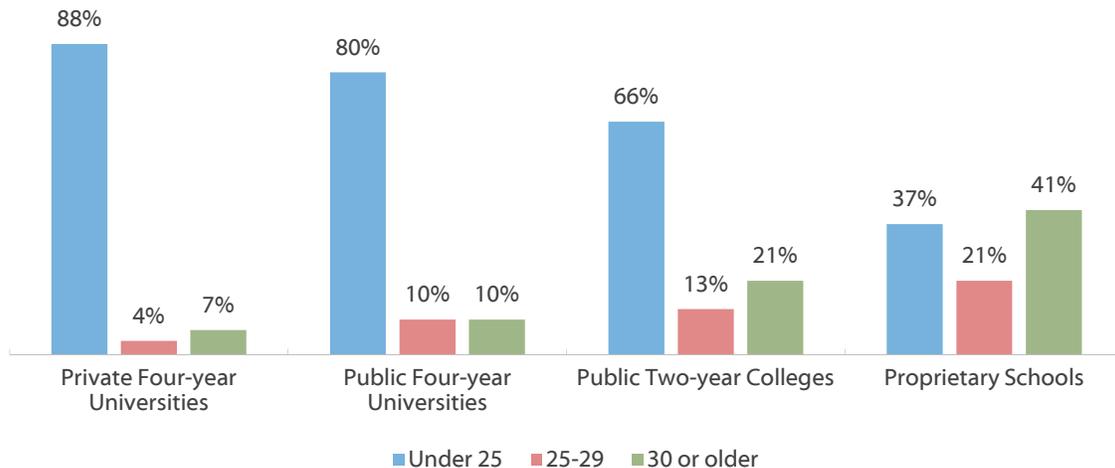


Over 25 Percent of Undergraduates in Texas Are Age 25 or Older

Age of Undergraduates in Texas and the U.S. (Fall 2014)



Age of Undergraduates in Texas by School Sector (Fall 2014)



Of all Texas undergraduates in fall 2014, 73 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 marginally more common, with 71 percent of fall 2014 undergraduates under the age of 25, 11 percent between age 25 and 29, and 18 percent age 30 or older.

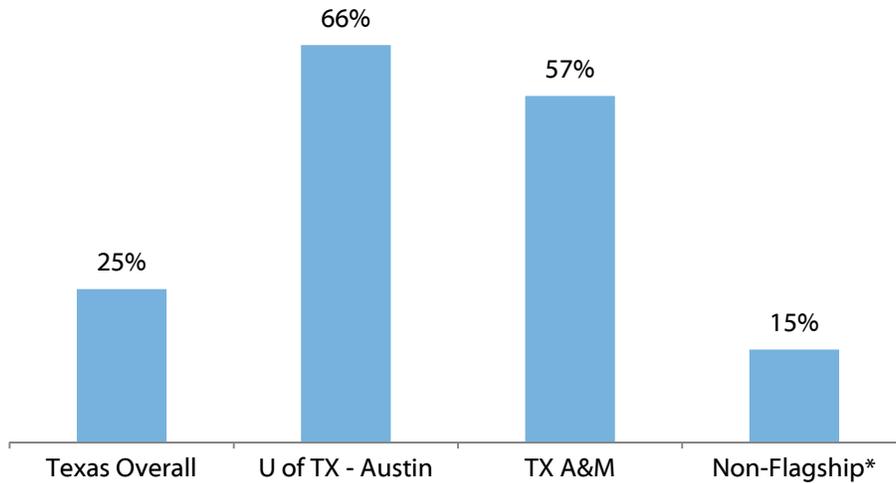
About four in five undergraduates at public four-year universities and almost nine out of ten at private four-year universities are under the age of 25. At public two-year colleges, 66 percent of students are under age 25. Proprietary schools and public two-year colleges have higher percentages of older undergraduates. About 41 percent of undergraduates at proprietary schools and 21 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) 2014 (<http://nces.ed.gov/ipeds/>).



About 75 Percent of Students at Texas Public Universities Were Not in the Top 10 Percent of Their High School Class

Percentage of Top 10% Admits Among First-Time Texas Public Four-Year University Students (Fall 2015)



While the majority of first-time students at Texas' two 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 25 percent of all first-time Texas public university students and only about 15 percent* of first-time students at the non-flagship universities, which account for about 82 percent of all Texas public university undergraduates. In fact, while top ten percent graduates are somewhat more likely than other students to enroll at a public university, they are in the minority at all non-flagship institutions.

As of fall 2015, 25.3 percent of first-time public university students were top ten percent admits. Only one out of 34** non-flagship public universities exceeded this proportion: the University of Houston, at 26.9 percent. Three others exceeded 20 percent: the University of Texas at Dallas (24.8%), the University of Texas at Arlington (23.9%), and the University of Texas of the Permian Basin (22.2%).

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 39 Texas public universities in total.

Sources: 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>); Non-flagship estimate: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Profile Reports Electronically Produced (PREP), Enrollment Statewide by Institution Type and Level (http://www.txhighereddata.org/Interactive/PREP_New/).



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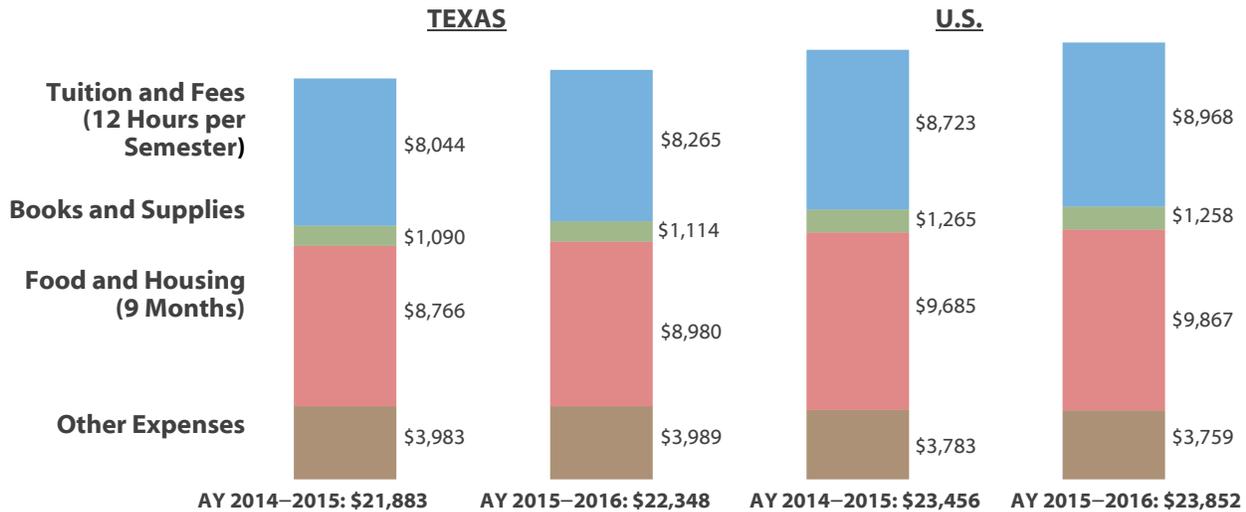


SECTION 4

**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 2014–2015 and AY 2015–2016)



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 2015 to 2016, total costs increased by \$465 in Texas and \$396 nationally. Weighted for enrollment,* two semesters of full-time** undergraduate education at a Texas public four-year university averaged \$22,348 in Award Year (AY) 2015–2016. This amount was \$1,504 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 about 40 percent of the cost of attendance. These costs are not discretionary: students must eat, and unless they live with parents — and 68 percent of U.S. public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise nearly 60 percent of the student budget, while tuition and fees make up just over a third.

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.

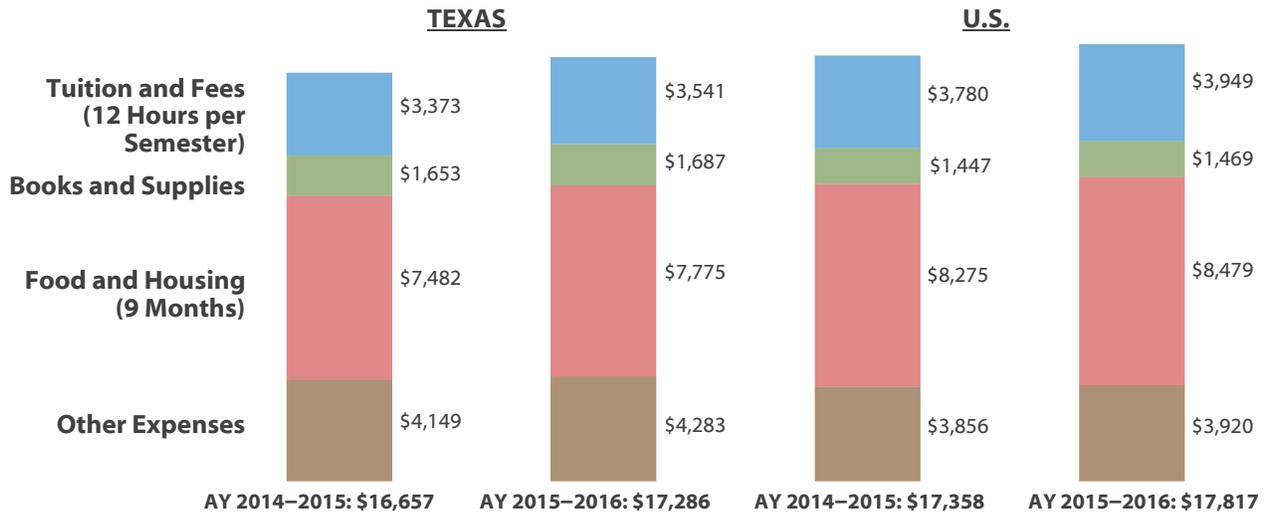
*** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 22 percent of dependent undergraduates enrolled at public four-year universities nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2014–2015: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<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 Less 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 2014–2015 and AY 2015–2016)



Forty-three percent of Texas postsecondary students were enrolled in public two-year colleges in Award Year (AY) 2014-2015. The cost for two full-time* semesters at Texas public two-year colleges, weighted for enrollment,** averaged \$17,286 in AY 2015–2016. This is an increase of \$629 over the Texas average in AY 2014–2015 and is \$531 less than the AY 2015–2016 national average. Costs in all categories have increased in Texas and nationally since AY 2014–2015, with the largest increases occurring in the food and housing category in Texas and the nation.

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.

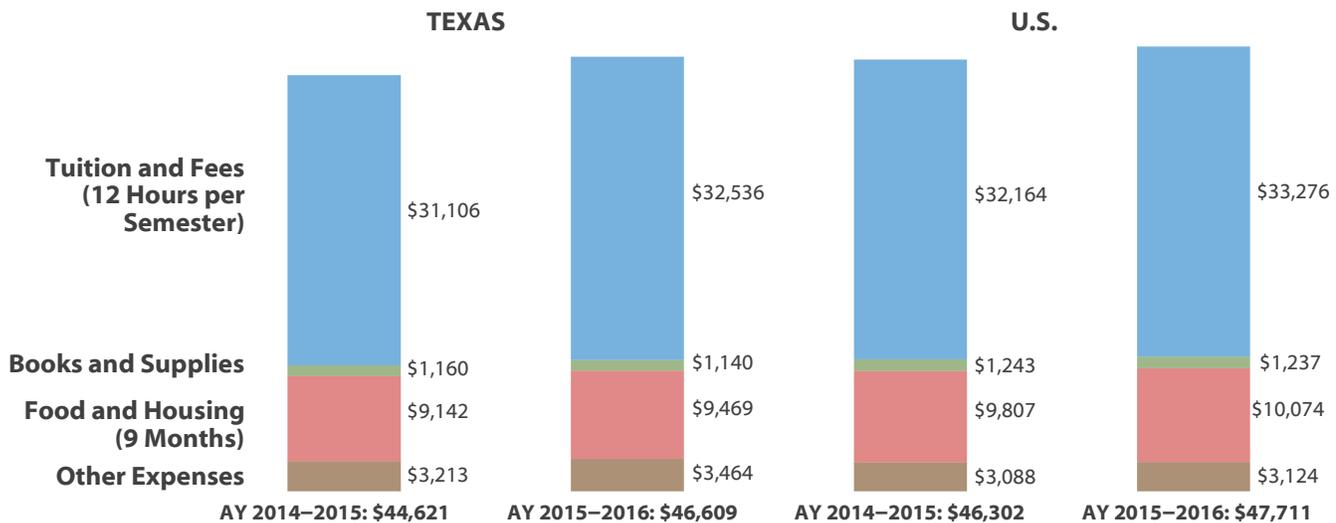
*** EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 31 percent of dependent undergraduates enrolled in public two-year colleges nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2014–2015: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<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>).



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 2014–2015 and AY 2015–2016)



The increase from Award Year (AY) 2014–2015 to AY 2015–2016 of the average cost of attendance at private four-year universities in Texas, at \$1,988, was due almost entirely to an average \$1,430 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 \$46,609 in AY 2015–2016. This is lower than the national cost of attendance for the same year, at \$47,711. The difference is mainly because tuition and fees in Texas are \$740 lower than the national average and food and housing costs in Texas are \$605 lower than the national average. Approximately nine percent of students in higher education in Texas in AY 2014–2015 enrolled in private four-year universities, versus 43 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 takes into account 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 2011–2012, 15 percent of dependent undergraduates enrolled at private four-year universities nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2014–2015: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<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>).



The Cost of Going to College Continues to Rise Each Year

**Change in Costs for Students Living Off Campus: Dollar and Percentage Change
(AY 2014–2015 to AY 2015–2016, 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)	\$221	3%	\$168	5%	\$1,430	5%
Books and Supplies	\$24	2%	\$34	2%	-\$20	-2%
Food and Housing	\$214	2%	\$293	4%	\$327	4%
Other	\$6	0%	\$134	3%	\$251	8%
Total Change	\$465	2%	\$629	4%	\$1,988	4%

U.S.	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	\$245	3%	\$169	4%	\$1,112	3%
Books and Supplies	-\$7	-1%	\$22	2%	-\$6	0%
Food and Housing	\$182	2%	\$204	2%	\$267	3%
Other	-\$24	-1%	\$64	2%	\$36	1%
Total Change	\$396	2%	\$459	3%	\$1,409	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) 2014–2015 and AY 2015–2016. 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 2011–2012, 62 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 66 percent worked while enrolled (27 percent of which worked full time**). Full-time work and part-time enrollment are associated with each other and also with lower completion rates: 79 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.

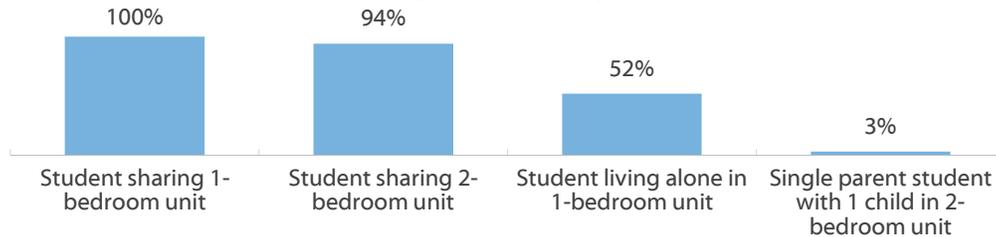
** 35 or more hours per week; includes work-study/assistantship.

Sources: All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2014–2015: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<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>).



Basic Food and Housing Costs for Some Students May Be Higher Than Estimated

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 2015–2016)



Food and housing make up about 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 2015–2016 Award Year (AY), this average estimate is \$8,639,* or \$960 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on \$267 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting \$267 from \$960 leaves \$693 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to \$302,** leaving \$658 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 \$6,291, or \$699 per month. Sharing housing lowers the cost: a shared one-bedroom costs \$349 per person and a shared two-bedroom costs \$436.

These data suggest that a thrifty student who is a savvy grocery buyer, cooks nearly all his meals, and shares housing should manage to stay within the institutional room and board estimate of \$960 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 28 percent of U.S. undergraduates in AY 2011–2012 had dependent children, and about 15 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 2015–2016)**

	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	\$2,403	\$2,403	\$2,403	\$3,606
Housing	\$3,145	\$3,922	\$6,291	\$7,844
Total	\$5,548	\$6,325	\$8,694	\$11,450

*\$8,980 when weighted for enrollment; see glossary for clarification. ** Based on the cost at Conan’s Pizza near the University of Texas at Austin, November 2016. *** A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<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 2016." (<http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2016 for Existing Housing, October 2016." (<http://www.huduser.org/datasets/fmr.html>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<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.

Sector	Institutions #	Institutional Living Cost Allowance vs. County Cost of Living Estimate		
		Above Estimate by \$3,000+ Percent	Within \$3,000 of Estimate Percent	Below 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

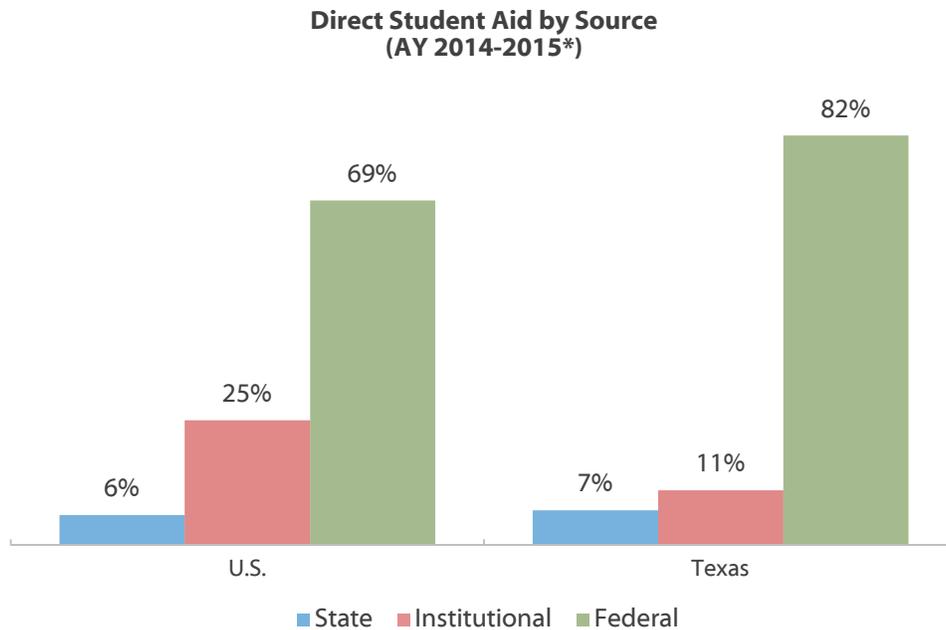
The federal definition of the cost of attendance (COA) includes tuition, fees, room and board (food, housing, transportation, and other miscellaneous costs of living), books, and supplies. The COA is important because it is part of the equation that helps determine how much financial aid students are 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>).



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 69 percent of the generally available direct financial aid* for undergraduate and graduate students in Award Year (AY) 2014–2015. In Texas, the federal government’s role is much larger, accounting for 82 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 2014–2015**, at seven 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 25 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.

* 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 2014–2015, except the private institutional aid in the Texas graph, which is for AY 2011–2012.

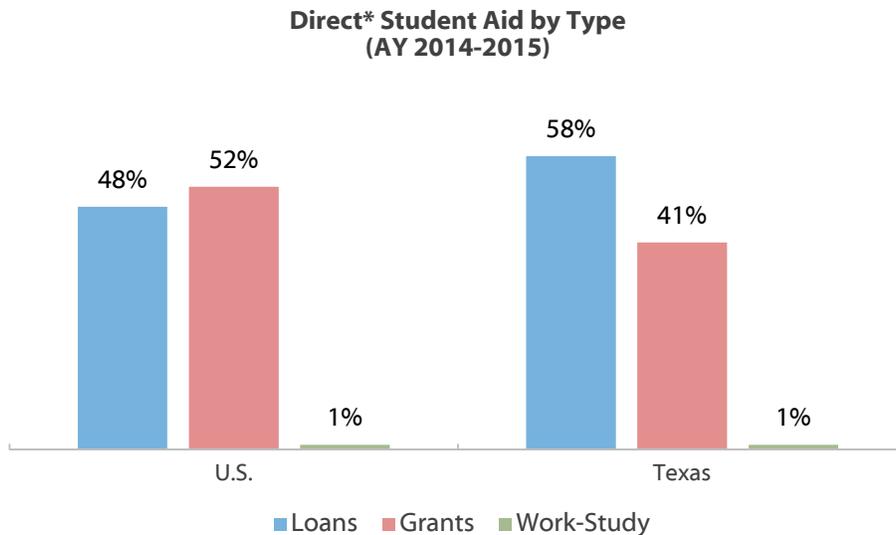
**The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

*** Includes the Texas Public Educational Grant (TPEG) for AY 2014–2015 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/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, “2014–15 Financial Aid Database,” Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); Aid in the U.S.: The College Board. *Trends in Student Aid 2016* (<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 2014–2015, 58 percent of aid in Texas came from loans and 41 percent came from grants, including state and institutional grants.* Nationally, 48 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.

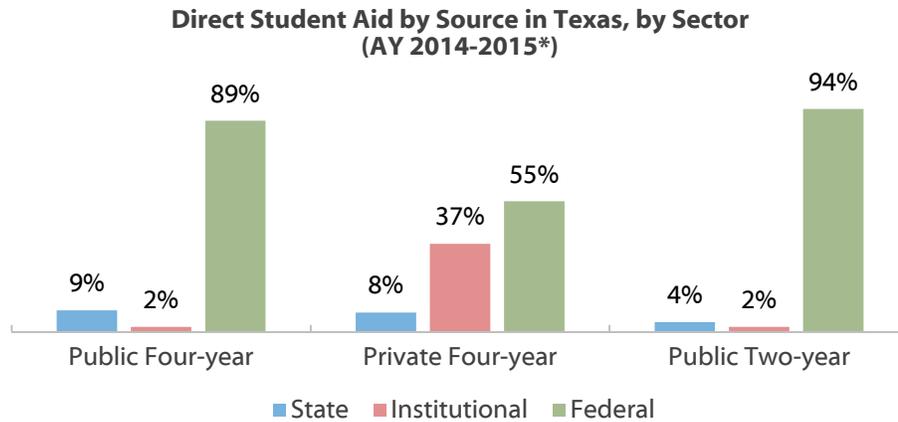
One percent of student aid in Texas and nationally comes from work-study dollars. The Federal Work-Study Program provides part-time jobs to students with financial need. Whether on campus or off campus, the program encourages employment related to the student’s course of study whenever possible.

* 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 2014–2015, except the private institutional aid in the Texas graph is for AY 2011–2012.

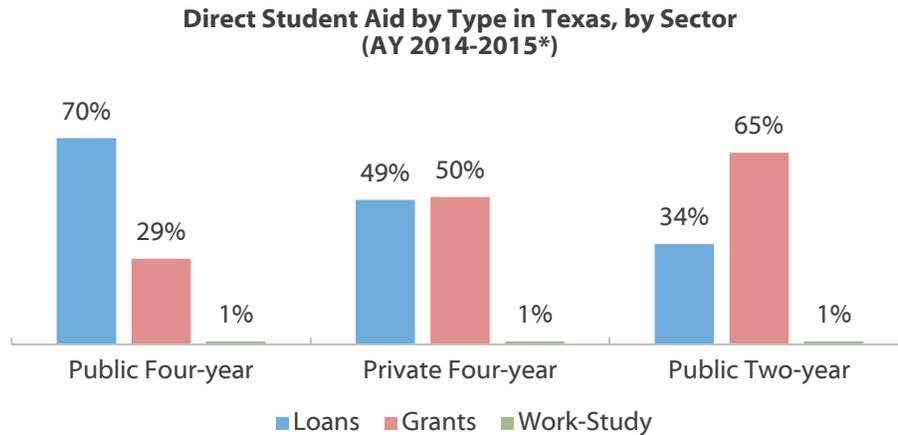
Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) “Annual Statistical Report 2013”, (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, “2014–15 Financial Aid Database,” Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); Aid in the U.S.: The College Board. *Trends in Student Aid 2016* (<http://trends.collegeboard.org/>).



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



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 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 FDLF loans), plus institutional grants. All aid shown is for AY 2014–2015, 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.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2013", (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "2014–15 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>).

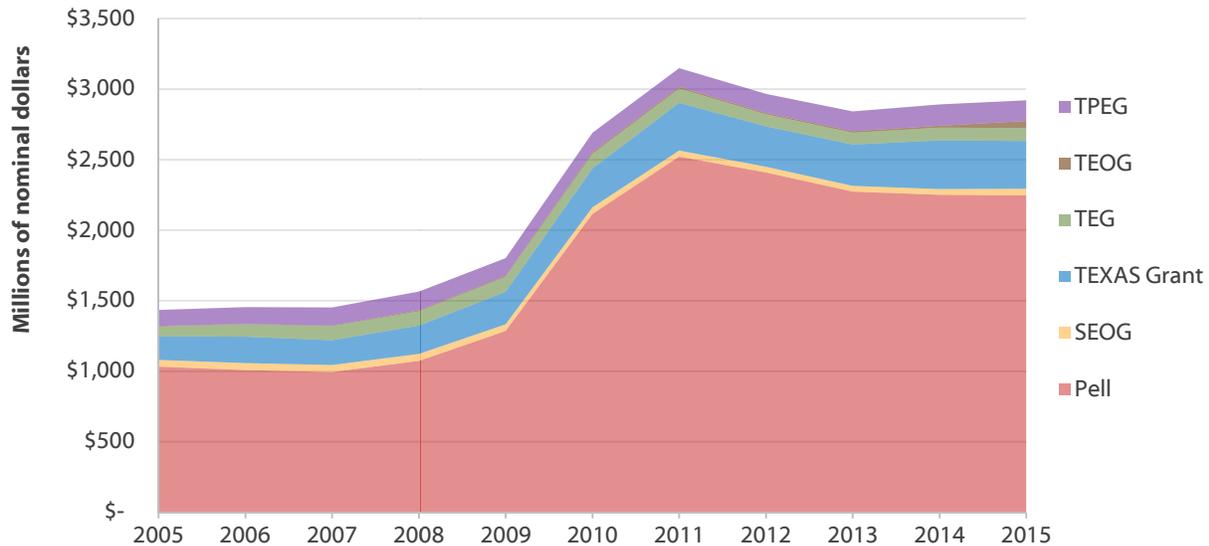


SECTION 5

Grant Aid and Net Price in Texas

State Grant Aid Grows; Still Dwarfed by Pell

Total Grant Aid Awarded in Texas by Major Grant Program, by Award Year



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 five years. In the 2014–2015 award year (AY), about 625,000 students received approximately \$2.25 billion in Pell grants. This was a decrease of about \$276 million, or 11 percent, from AY 2010–2011.

Overall, state grant aid decreased slightly in AY 2014–2015 compared to the prior year. The Towards EXcellence, Access, and Success (TEXAS) Grant is by far the largest of the state grant programs, disbursing over \$339 million in AY 2014–2015. 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.

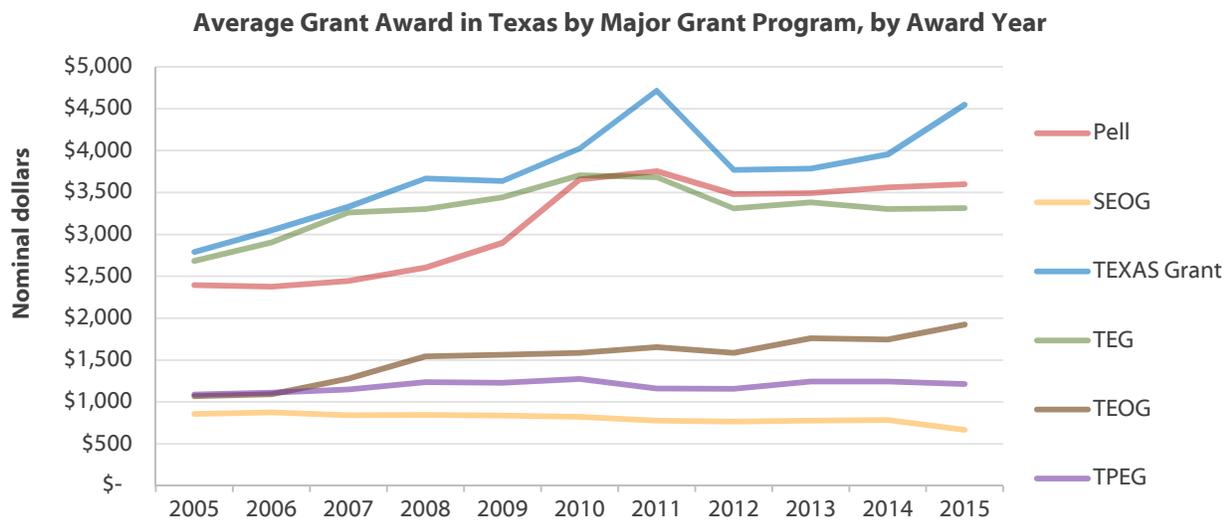
In AY 2014–2015, the Texas Educational Opportunity Grant (TEOG) – which serves financially needy students at public two-year colleges – saw a large increase in total disbursements over the prior year. The TEOG disbursement increased by \$37.5 million, or 73 percent, from AY 2013–2014.

The Tuition Equalization Grant (TEG), which is available to financially needy students at private, non-profit institutions, increased slightly by \$1.1 million (1.2 percent) in AY 2014–2015. The Texas Public Educational Opportunity Grant (TPEG), which public colleges and universities award to financially needy students out of tuition set asides, decreased slightly by \$4.7 million (3.1%).

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 for Fiscal Years 2005 to 2015 (<http://www.thecb.state.tx.us/reports>); College for All Texans (<http://www.collegeforalltexas.com>)



TEXAS Grant Has Highest Average Award



The largest average grant award in Texas in award year (AY) 2014-2015 was for the Towards EXcellence, Access, and Success (TEXAS) Grant at \$4,549, an increase of \$594 over 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.

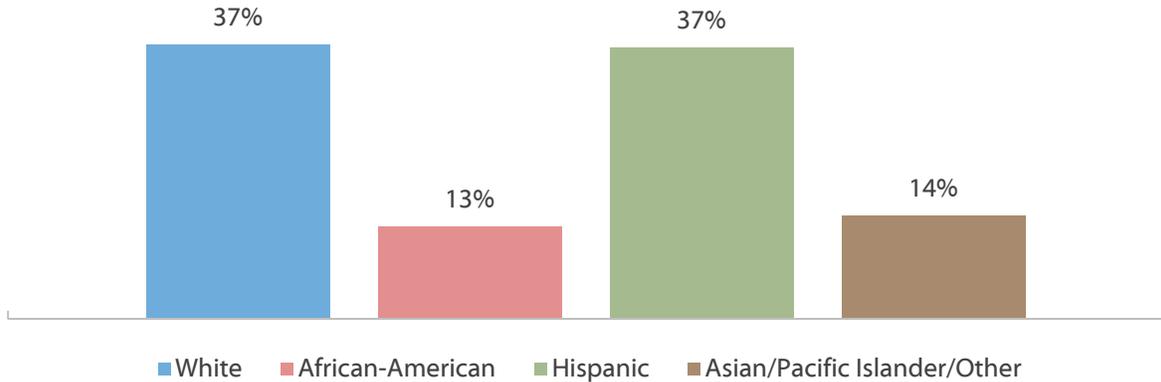
In AY 2014-2015 the average Pell grant in Texas increased by one percent, from \$3,560 to \$3,560, from the prior year. Average HB 3015 grants and Texas Educational Opportunity Grants (TEOG) have increased over the past ten years, while average Texas Public Educational Opportunity Grants (TPEG) and Supplemental 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 for Fiscal Years 2005 to 2015 (<http://www.theccb.state.tx.us/reports>); College for All Texans (<http://www.collegeforalltexas.com>)



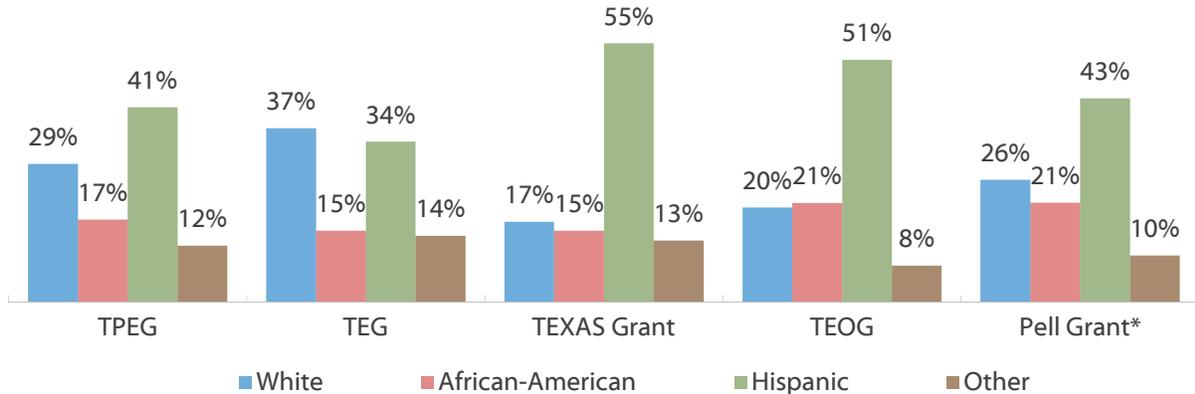
Grant Recipients in Texas Are Racially/Ethnically Diverse

Fall 2015 Enrollment in Texas Higher Education, by Ethnicity



The allocation of grant aid in Texas reflects the racial/ethnic diversity of the state. 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 — 58 percent and 49 percent, respectively.

Award Year 2014-2015 Grant Program Recipients by Ethnicity



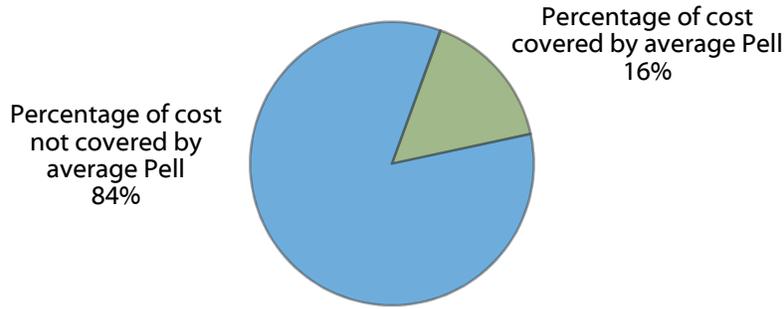
*Pell Grant data did not disaggregate "Asian/Pacific Islander" from "Other", so both are included in "Other".

Sources: Enrollment by ethnicity: U.S. Dept of Education, National Center for Education Statistics, IPEDS (<https://nces.ed.gov/ipeds/>); Texas grant programs: THECB Report on Student financial Aid in Texas Higher Education for Fiscal Year 2015 (<http://www.thecb.state.tx.us/reports/PDF/6802.PDF>); Texas Pell Grant: THECB Financial Aid Database 2014-2015 [unpublished tables].



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

Percentage of Average Cost of Two Semesters Full-time Attendance at a Texas Public Four-year University Covered by the Average Texas Pell Grant (AY 2015–2016)



Change from Previous AY in Average Texas Pell Grant and in Average Cost of Two Semesters of Full-Time Attendance at In-State Public Four-Year Universities (current dollars)

Award Year	Change in Average Pell Grant in Texas	Increase in Cost in Texas	Increase in Cost in U.S.
2010-2011	\$98	\$40	\$652
2011-2012	-\$271	\$737	\$795
2012-2013	\$12	\$951	\$638
2013-2014	\$66	\$311	\$419
2014-2015	\$11	\$410	\$167
2015-2016	\$20	\$465	\$396

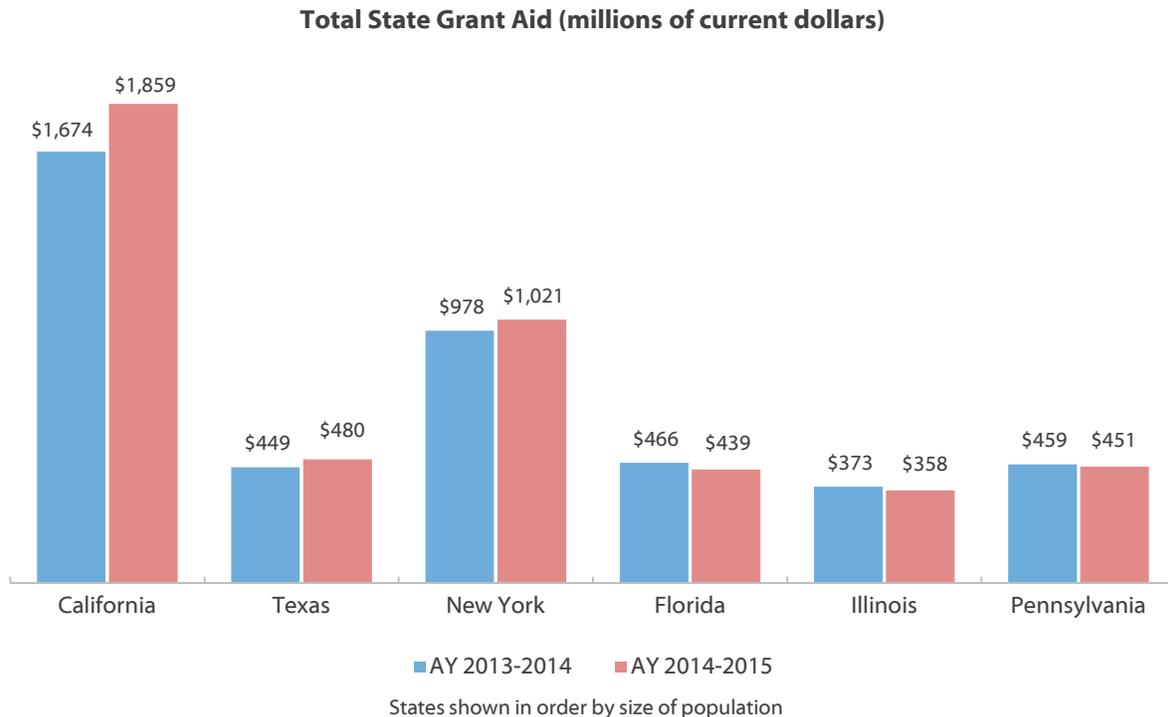
The buying power of the federal Pell Grant, the largest grant program in the U.S. and in Texas, has declined over the last three decades. Designed to be the foundation of need-based grant aid, only undergraduates with significant financial need receive the Pell grant; however, in Award Year (AY) 2015–2016, the average Pell grant in Texas covered only 16 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. 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 will increase to \$5,815 for AY 2016-2017. This \$40 increase 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 2015-2016, the maximum eligible EFC is \$5,198.

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 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>).



Texas State Grant Aid Increases



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; however, Texas still ranks second to last among the most populous states. In AY 2014–2015, Texas spent \$480 million on grant aid for postsecondary students, over a quarter of what was spent by California and 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.

Although primarily need-based, eligibility for the TEXAS Grant also involves substantial academic components. To receive a TEXAS Grant, a student must have 1) completed either the Recommended High School Program (RHSP; the default curriculum) or Distinguished Achievement Program (DAP) in Texas and enrolled in an undergraduate program in a Texas college or university within 16 months or 2) have earned an associate degree from a public technical, state, or community college in Texas no earlier than May 1, 2001 and enrolled in any public university in Texas no more than 12 months after receiving the associate degree. 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.

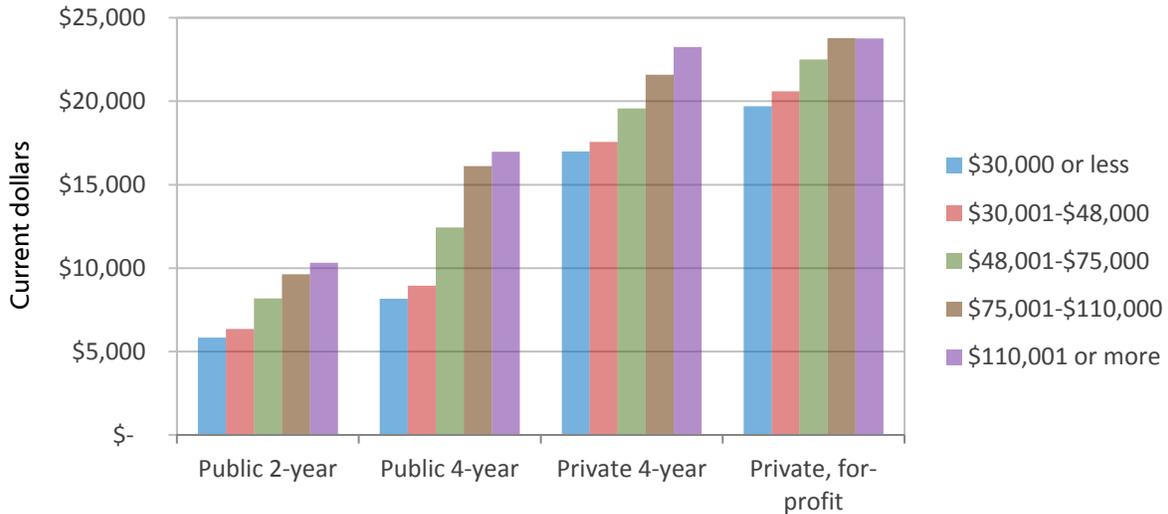
As funds are generally inadequate to award full grants to all eligible students, initial year TEXAS Grants are awarded on a priority basis. Eligible students receive priority consideration if they meet a priority filing deadline and at least two of four conditions related to high school academic performance.

Source: TEXAS Grant shortfall: THECB, “Recommendations Relating to the Feasibility Study for Restructuring Texas Student Financial Aid Programs, November 2008” (<http://www.theccb.state.tx.us/reports/PDF/1671.PDF>); All other: National Association of State Student Grant and Aid Programs. 45nd Annual Survey Report on State-Sponsored Student Financial Aid. 2015 (http://www.nassgap.org/survey/state_data_check.asp).



Net Price of Attendance for Lowest-Income Public Four-year Undergraduates in Texas Is More Than \$7,500

Average Net Price for Full-time, First-time Undergraduates in Texas by Sector and Income Quintile (AY 2013-2014)



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) 2013–2014, the average net price of attendance for students with the lowest incomes** was \$5,850 (a decrease of 7 percent from the previous year) in the public two-year sector, \$8,166 (an increase of 7 percent from the previous year) in the public four-year sector, \$16,988 (a decrease of 8 percent from the previous year) in the private four-year sector, and \$19,696 (an increase of 8 percent from the previous year) in the for-profit sector.

Net price rose 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 cost of attendance represents the average cost for in-state/in-district students.

** 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) 2014” (<http://nces.ed.gov/ipeds/datacenter/>).



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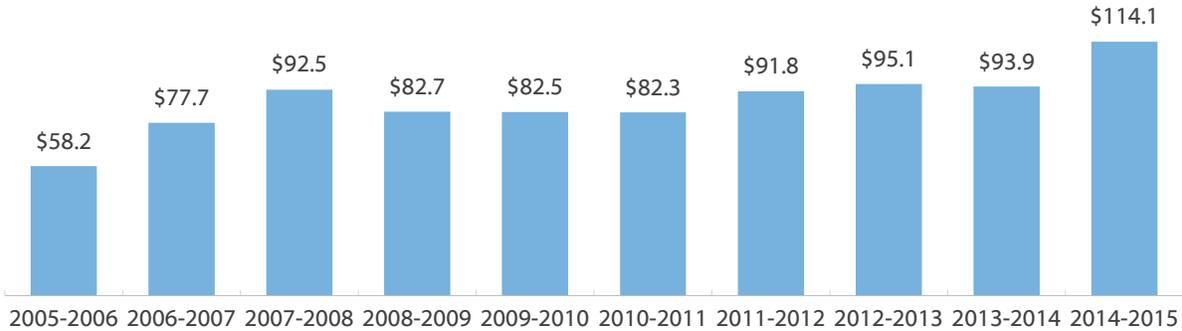


SECTION 6

Loans

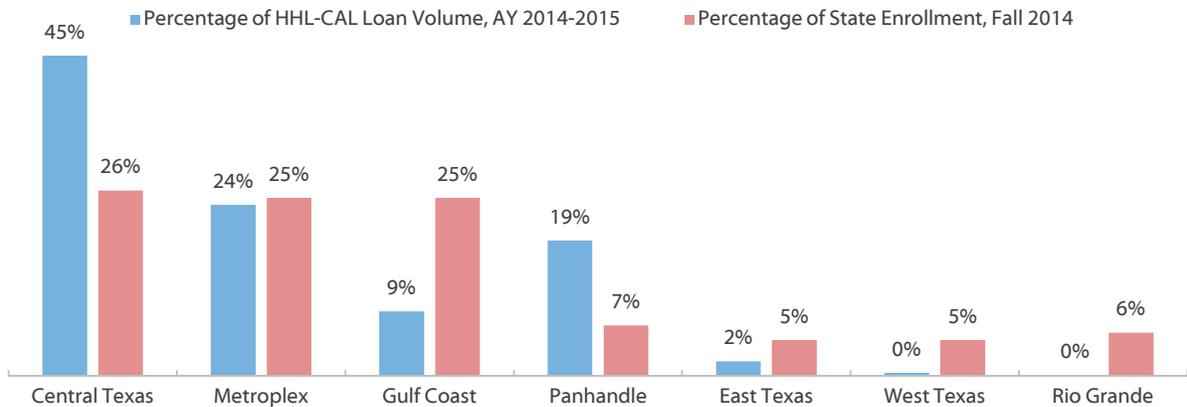
Volume for the Largest State Loan Program, HHL-CAL, Increases Dramatically

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. From Award Year (AY) 2002–2003 through AY 2007–2008, HHL-CAL volume increased steadily, reaching a high of \$92.5 million in AY 2007–2008. Loan volume decreased over the next three years, but has begun increasing again. In AY 2014–2015 HHL-CAL awards totaled \$114.1 million, a dramatic increase over the previous year.

HHL-CAL Volume and Enrollment by Region



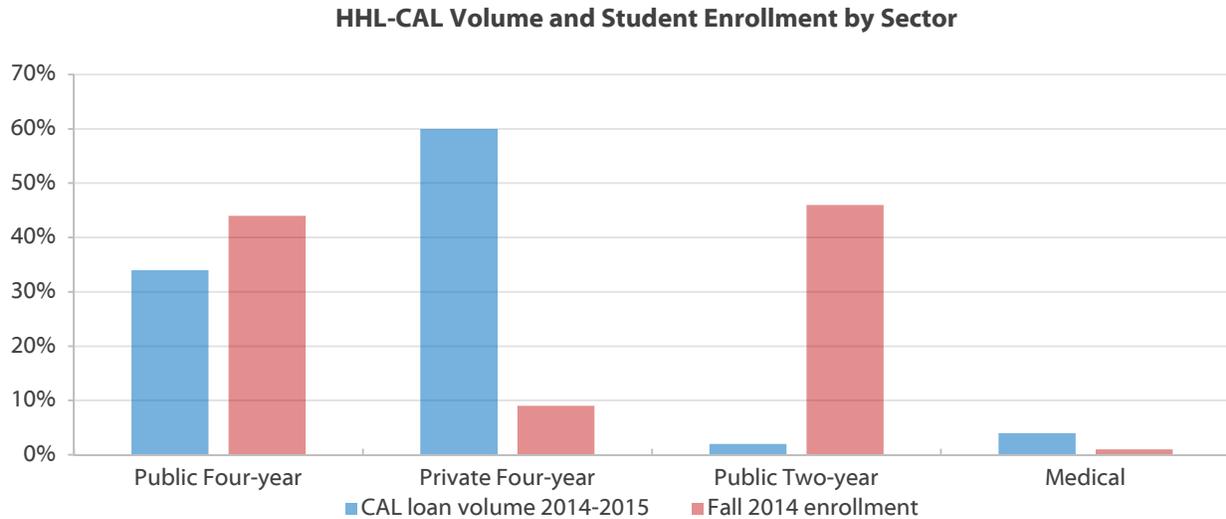
In AY 2014–2015, 45 percent of the HHL-CAL dollars went to students attending schools in the Central Texas region. Although Central Texas comprises only 26 percent of Texas enrollment, it is home to the state’s two flagship universities, the University of Texas at Austin and Texas A&M University. The 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 2014–2015,” Austin, Texas, 2016 (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. However, 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. 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.

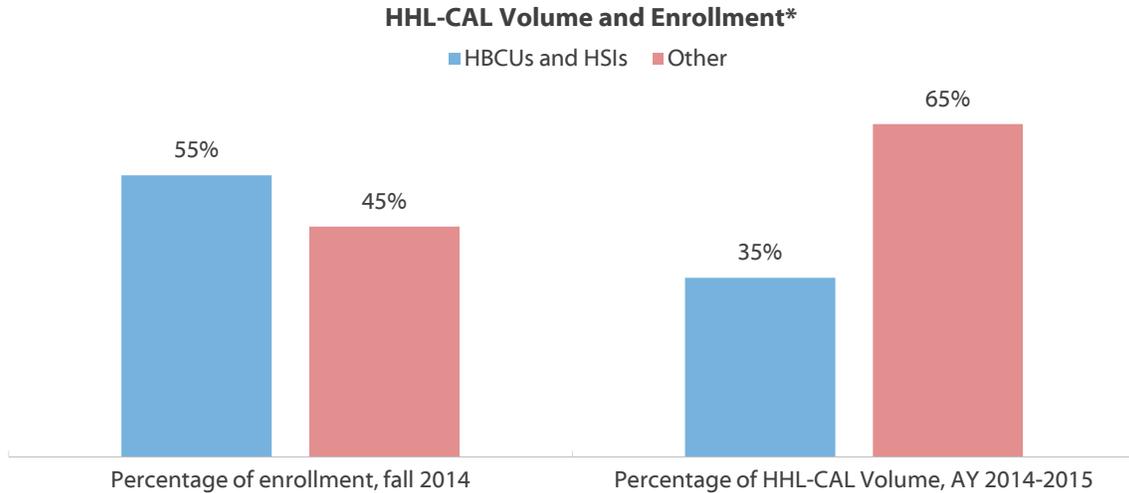
However this trend has been reversing in recent years. In AY 2014–2015, 34 percent of HHL-CAL dollars went to students attending public four-year institutions, and this sector accounted for 44 percent of student enrollment. Private four-year students accounted for 9 percent of enrollment in Texas postsecondary institutions, but 60 percent of HHL-CAL volume. Similarly, public two-year students accounted for 46 percent of enrollment, but only 2 percent of HHL-CAL volume. This disproportionate 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, 2014-2015," Austin, Texas, 2016 (Unpublished tables); Public Enrollment: THECB. "PREP Online" (http://www.txhighereddata.org/Interactive/PREP_New).

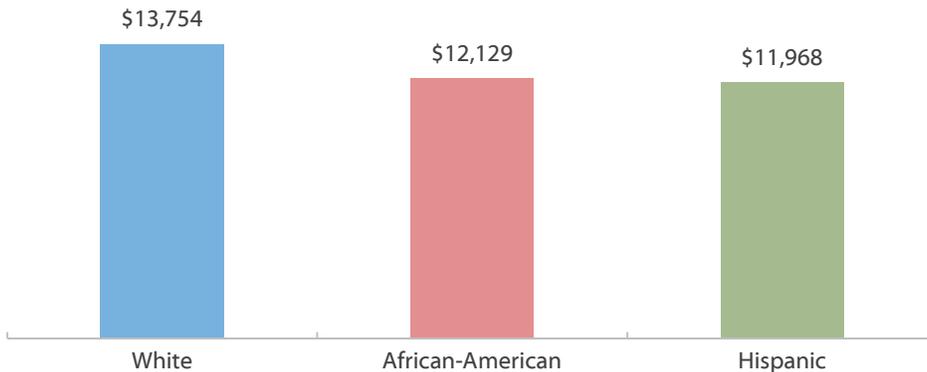


HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 44 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 2014–2015, HBCUs and HSIs comprised 55 percent of total Texas enrollment and received 35 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.

Average HHL-CAL Award by Ethnicity (AY 2014-2015)



The average HHL-CAL award differed across ethnic groups in AY 2014–2015. White students on average borrowed about \$1,625 more than African-American students and \$1,786 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 2014–2015." Austin, Texas, 2016 (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 2015–2016)

Panhandle*

1. Texas Tech University	\$154 Million
2. Texas Tech University Health Sciences Ctr	\$59
3. West Texas A&M University	\$43
4. Midwestern State University	\$29
5. Abilene Christian University	\$29

* Top 5 Schools Account for 74% of Volume

Metroplex*

1. University of North Texas	\$188 Million
2. University of Texas at Arlington	\$181
3. Southern Methodist University	\$77
4. Texas Woman's University	\$73
5. Texas A&M University - Commerce	\$70

* Top 5 Schools Account for 50% of Volume

West*

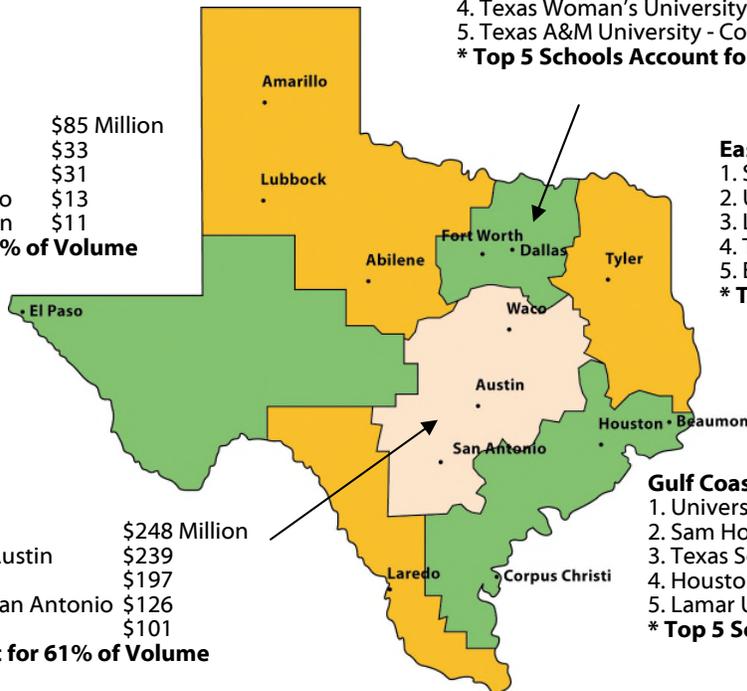
1. University of Texas El Paso	\$85 Million
2. Vista College	\$33
3. Angelo State University	\$31
4. Southwest University at El Paso	\$13
5. U of Texas of the Permian Basin	\$11

* Top 5 Schools Account for 81% of Volume

East*

1. Stephen F. Austin State Univ.	\$80 Million
2. University of Texas at Tyler	\$42
3. LeTourneau University	\$20
4. Tyler Junior College	\$20
5. East Texas Baptist University	\$10

* Top 5 Schools Account for 74% of Volume



Central*

1. Texas A&M University	\$248 Million
2. University of Texas at Austin	\$239
3. Texas State University	\$197
4. University of Texas at San Antonio	\$126
5. Baylor University	\$101

* Top 5 Schools Account for 61% of Volume

Gulf Coast*

1. University of Houston	\$173 Million
2. Sam Houston State University	\$101
3. Texas Southern University	\$87
4. Houston Community College	\$79
5. Lamar University	\$77

* Top 5 Schools Account for 44% of Volume

Rio Grande*

1. University of Texas–Rio Grande Valley	\$69 Million
2. Texas A&M International University	\$20
3. University of Texas at Brownsville	\$6
4. South Texas Vocational Technical Institute	\$3
5. Southwest Texas Junior College	\$2

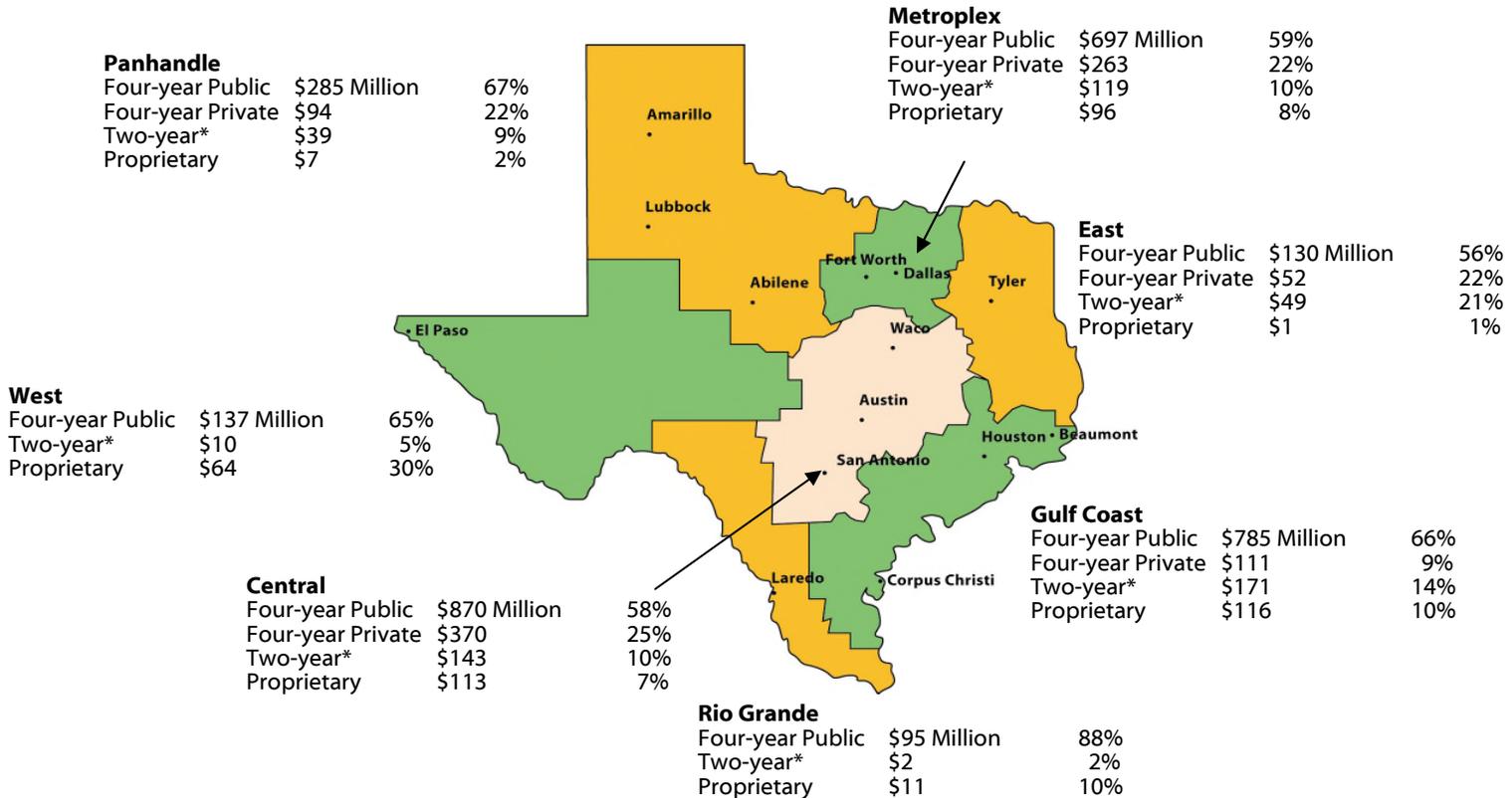
* Top 5 Schools Account for 93% of Volume

In the rural areas of the state, Award Year (AY) 2015–2016 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 93 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 (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).

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 2015–2016)**



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) 2015–2016, public four-year schools accounted for 62 percent of the state’s Federal Direct Loan Program (FDLP) volume. Four-year private school volume accounted for 18 percent, two-year* school volume accounted for 11 percent, and proprietary school volume accounted for 8 percent of total FDLP volume in Texas.

**Texas Federal Loan Volume by School Type
AY 2015–2016**

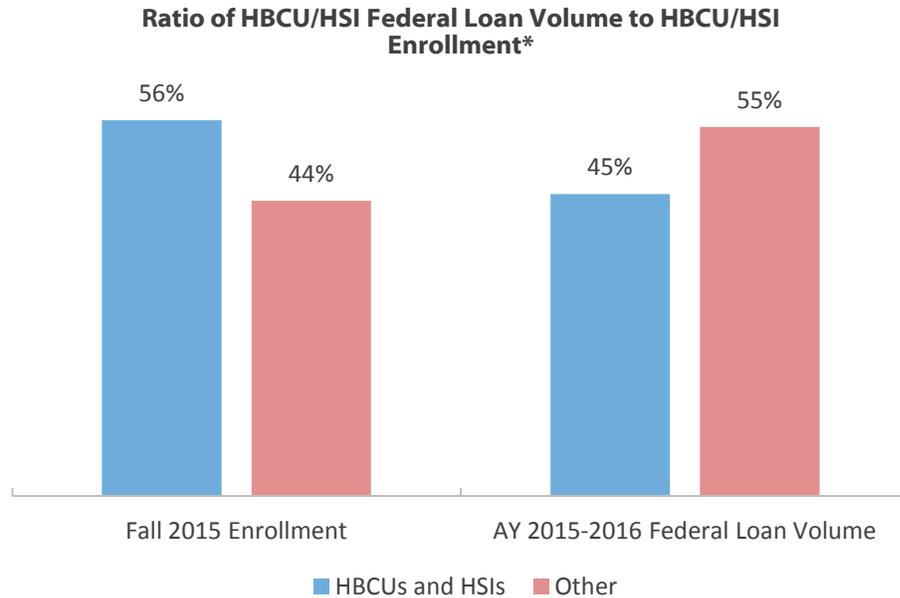
School Type	Amount (in Millions)	% of Amount
Public Four-year	\$3,000	62%
Private Four-year	\$890	18%
Two-year*	\$533	11%
Proprietary	\$408	8%

*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 (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



HBCU and HSI Federal Loan Volume Is Proportionally Less Than Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 44 Hispanic Serving Institutions (HSIs). HBCUs and HSIs accounted for 56 percent of total Texas enrollment in fall 2015 while generating 45 percent of Award Year 2015–2016 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) 2016 (<http://nces.ed.gov/ipeds/>); Loan Volume: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>); 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).



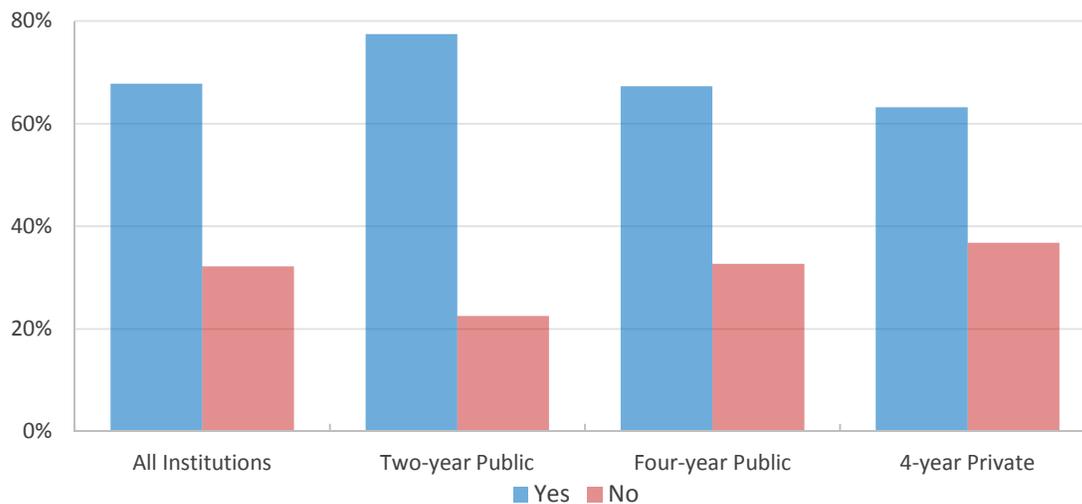
One Third of Public Four-year Students Do Not Remember Completing Entrance Counseling

The Ohio State University administered a survey in 2014 to students attending 52 public and private not-for-profit institutions across the nation. This survey, the National Student Financial Wellness Study, collects data on the financial attitudes and practices of college students.

Sixty-four percent of students use loans to pay for college, and 35 percent report that student loans are the primary way they pay for tuition. Students who borrow federal loans are required to complete student loan counseling - entrance counseling - prior to accessing the funds. Entrance counseling has changed significantly over its 30-year history, starting as a customized in-person experience to what is now a counseling session packed with 28 federally mandated topics conducted mostly through online tools. A poll of the National Association of Student Financial Aid Administrators (NASFAA) member schools conducted in 2012 found that 71 percent reported using the U.S. Department of Education's online tool to satisfy the counseling requirement. Only 20 percent reported that most of their loan counseling was conducted face-to-face.

Several issues with entrance counseling may make it difficult for students to absorb and retain the information being presented. First, entrance counseling occurs just before or at the very beginning of the start of classes, a time that can be overwhelming and distracting for students. In addition to possible timing issues, the number of required topics can lead to information overload, causing students to skim and skip through parts of the counseling.

Do you remember completing the entrance counseling for your student loan?



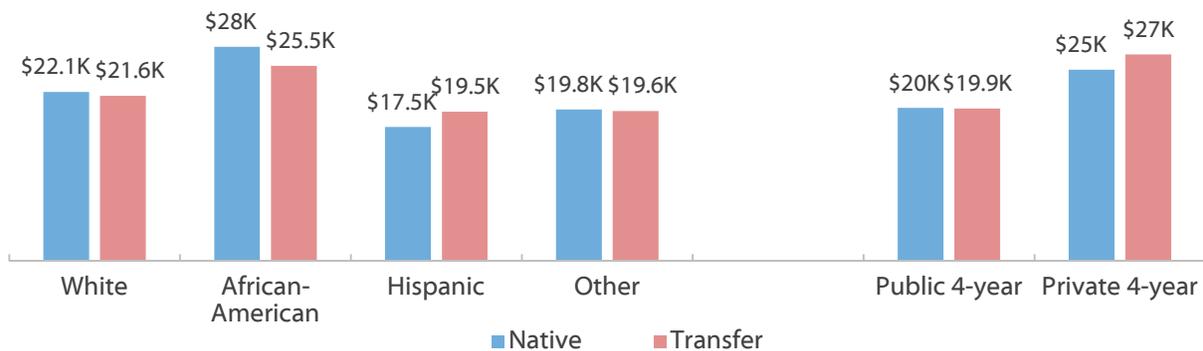
According to the National Student Financial Wellness Study, almost one third of students at all institutions do not remember completing student loan entrance counseling. Students at two-year institutions were most likely to remember the counseling. Overall, about 80 percent of students who remember entrance counseling reported that it was helpful or somewhat helpful.

Sources: NASFAA member poll: National Association of Student Financial Aid Administrators, Financial Aid Administrators Discuss Loan Counseling Challenges (2012) (https://www.nasfaa.org/news-item/1907/Financial_Aid_Administrators_Discuss_Loan_Counseling_Challenges); OSU student survey: The Ohio State University Office of Student Life, College of Education and Human Ecology, *National Student Financial Wellness Study: Key Findings Report* (2014) (<http://cssl.osu.edu/posts/documents/nswfs-key-findings-report.pdf>); All else: TG Research, *Effective Counseling, Empowered Borrowers: An Evidence-Based Policy Agenda for Informed Student Loan Borrowing and Repayment*, by Chris Fernandez (2016) (<http://www.tgslc.org/pdf/Effective-Counseling-Empowered-Borrowers.pdf>).

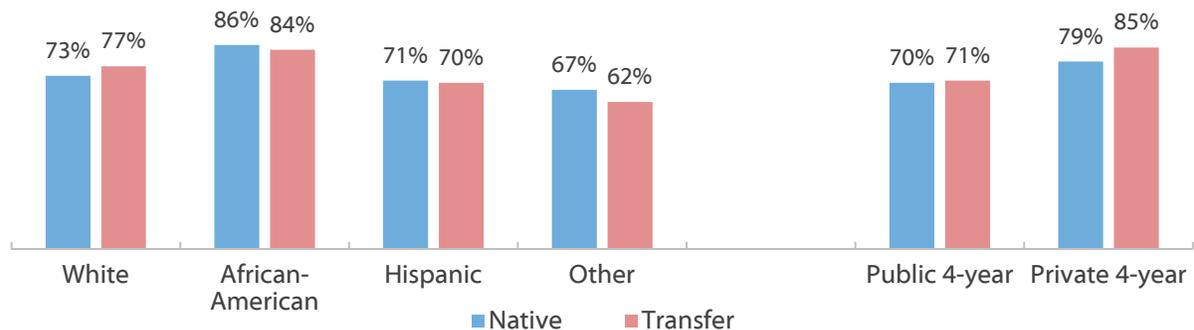


Transfer Students Borrow About as Often and Nearly as Much as Native Students

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 receive 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/>).



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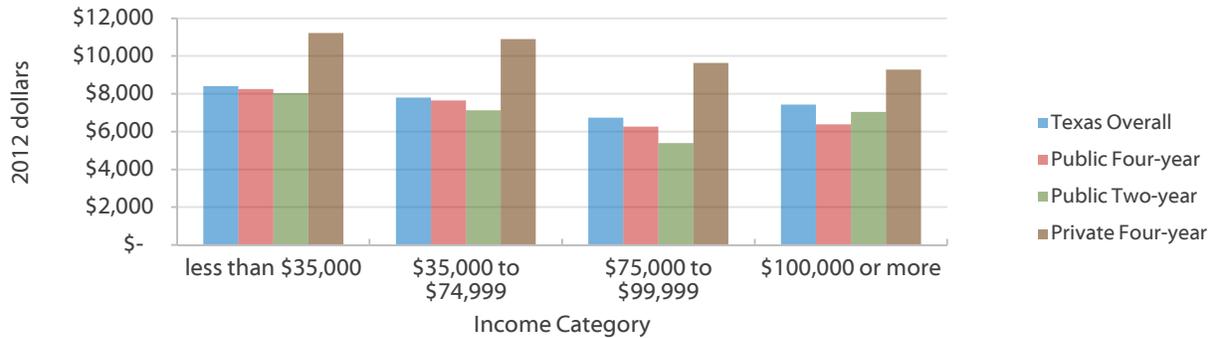


SECTION 7

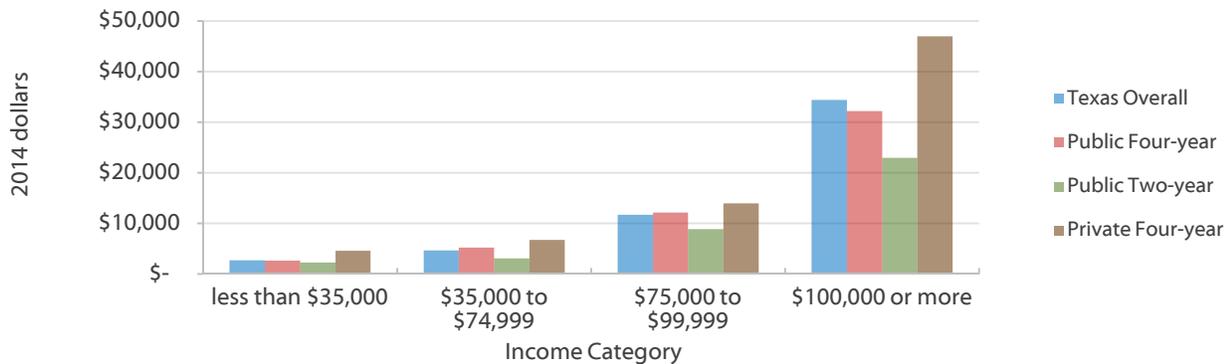
Need and Work

Unmet Need for Low-Income Students in Texas More Than \$8,000 at Public Universities

Average Unmet Need for Students in Texas by Income Category and Sector (Fall 2012*)



Average EFC for Students in Texas by Income Category and Sector (Fall 2014)



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 2012, average unmet need for this group was about \$8,400 statewide. At private four-year schools, this group experienced average unmet need of over \$11,200. 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.

*Fall 2012 are presented due to unresolved inconsistencies with Fall 2014 data as of publication.

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

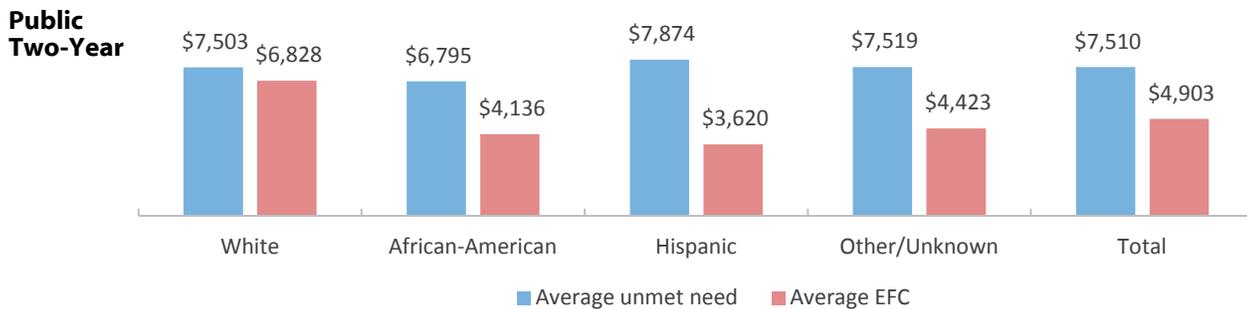
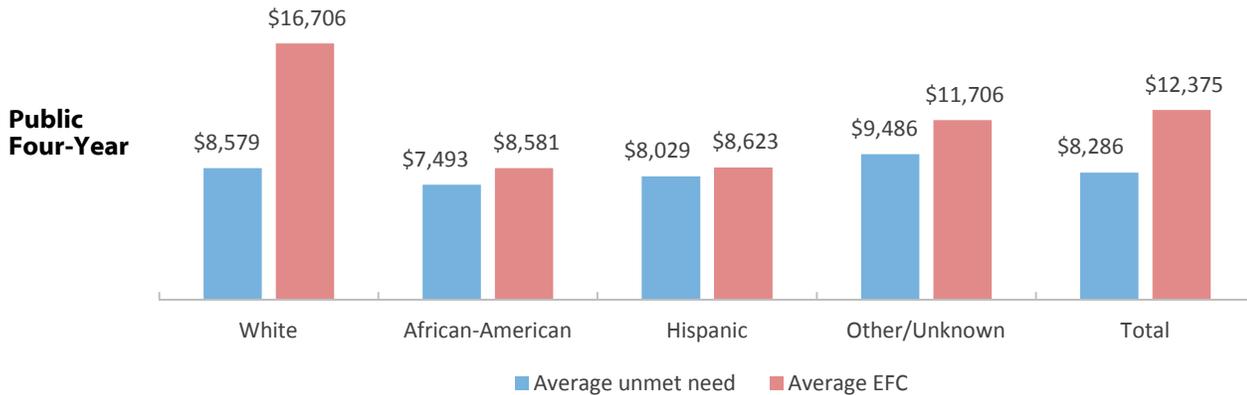
*** EFC is determined through a federal formula that takes into account family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

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 2014)



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. 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 both grant and loan aid and EFC.

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

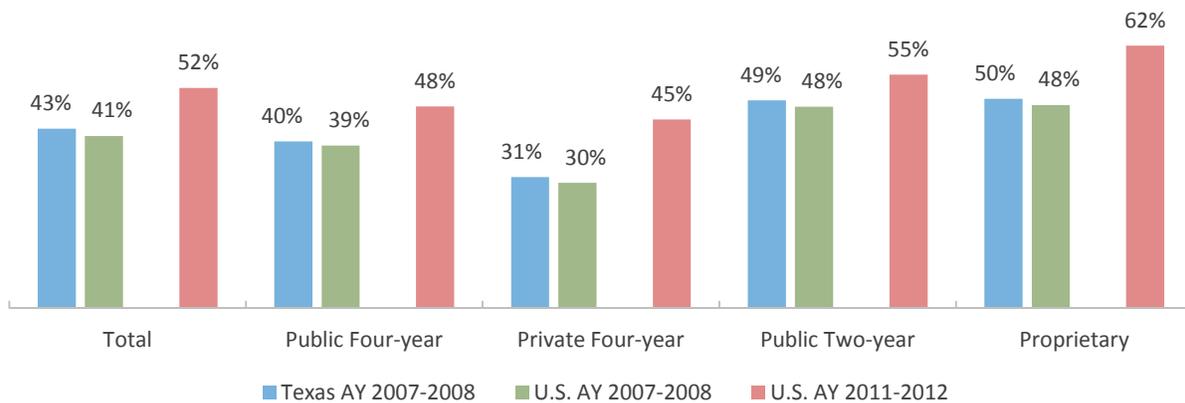
Note: Both graphs exclude institutions whose Fall 2014 data had unresolved inconsistencies as of publication.

Texas Higher Education Coordinating Board (THECB), “Unmet Need and Expected Family Contribution” (unpublished tables).



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

**Percentage of Undergraduates Who Carry a Credit Card Balance by Institution Sector
(AY 2007-2008, AY 2011-2012)**



Both nationally and in Texas, students at public two-year and at proprietary institutions were more likely to carry a credit card balance, followed by students at public four-year and private four-year institutions. Undergraduates in all sectors nationally were considerably more likely to carry credit card debt in award year (AY) 2011-2012 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. Given that Texas undergraduates carried credit card balances at slightly higher rates than the national average in AY 2007-2008, it is likely that more than half of Texas undergraduates carried credit card balances as of AY 2011-2012.

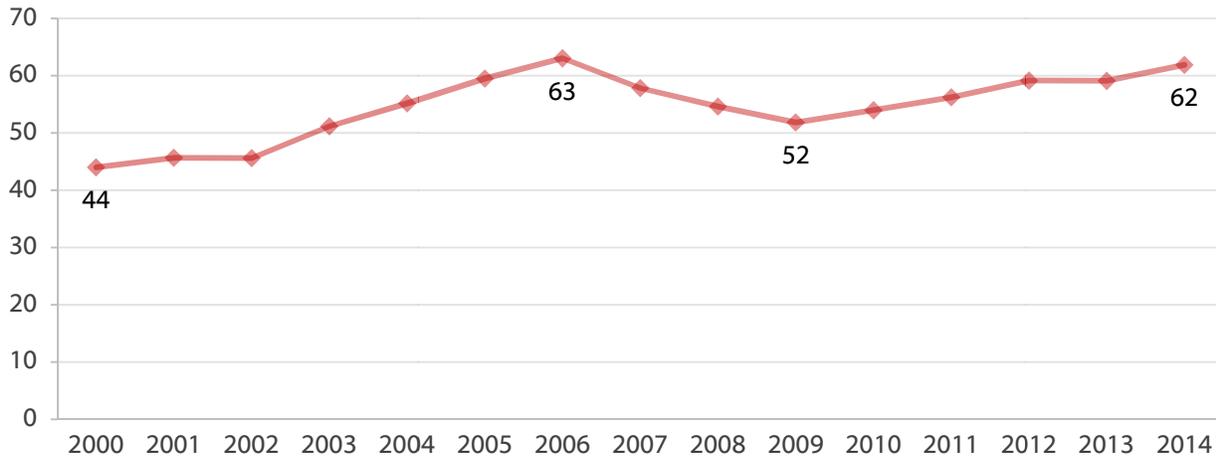
*Data for Texas for AY 2011-2012 are unavailable.

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



Paying for A Bachelor's Degree Through Work Alone Would Require 62 Hours per Week at Minimum Wage

Hours of Minimum Wage Work per Week Needed to Pay for an Average Texas Public University Undergraduate Education (2000 to 2014)



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. By 1989, students earning the then-minimum wage of \$3.35 per hour had to work 39 hours per week to cover the national average undergraduate budget. 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. The national average has since climbed to all-time high of 67 hours per week as of 2014.

The cost of attendance tends to be lower in Texas, which means slightly fewer hours of work per week would be needed to pay for college. In 2014-2015, an in-state, residential undergraduate would have had to work 62** hours every week of the year to pay for two semesters at a Texas public university. The current upward trend began in 2010, when the period of annual minimum wage increases (2006-2009) came to an end.

*Using Postsecondary Education Opportunity methodology, the Award Year (AY) 2013–2014 average in-state student budget at a U.S. public university is estimated at \$23,769. In 2014, the minimum wage was \$7.25 per hour, with 6.2 percent taken out for Social Security. At a net of \$6.80 per hour, a full-time student with no other financial aid or assets would have to work 3,495 hours per year, or 67 hours per week, to put him or herself through school.

**The average student budget, weighted for enrollment, for an in-state, residential student at a Texas public four-year university in AY 2014–2015 was \$21,883. At a net of \$6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 3,218 hours per year, or 62 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/>).



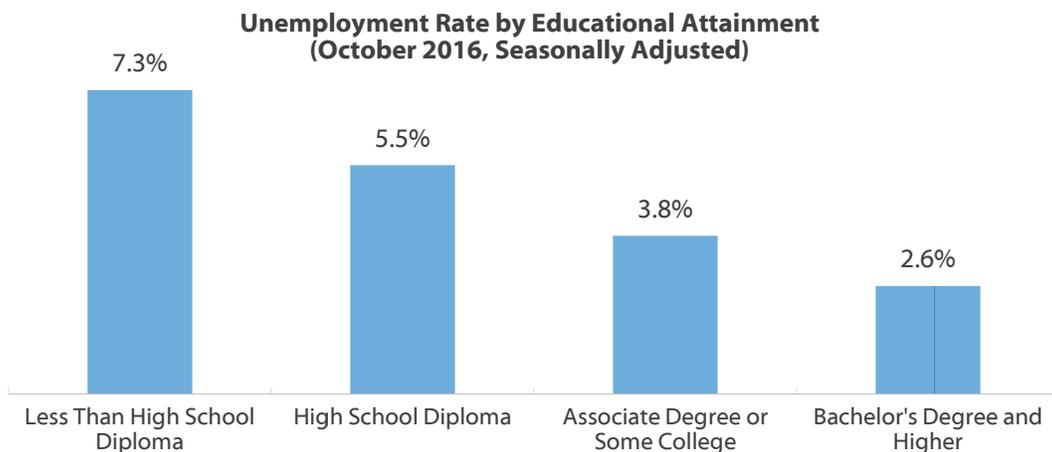
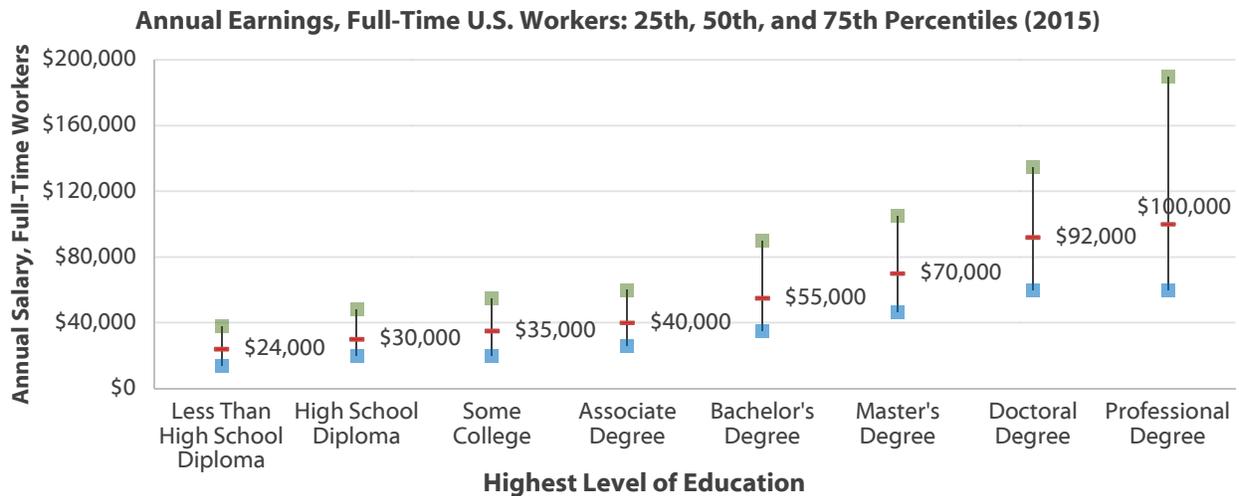
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SECTION 8

Texas College Attainment

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



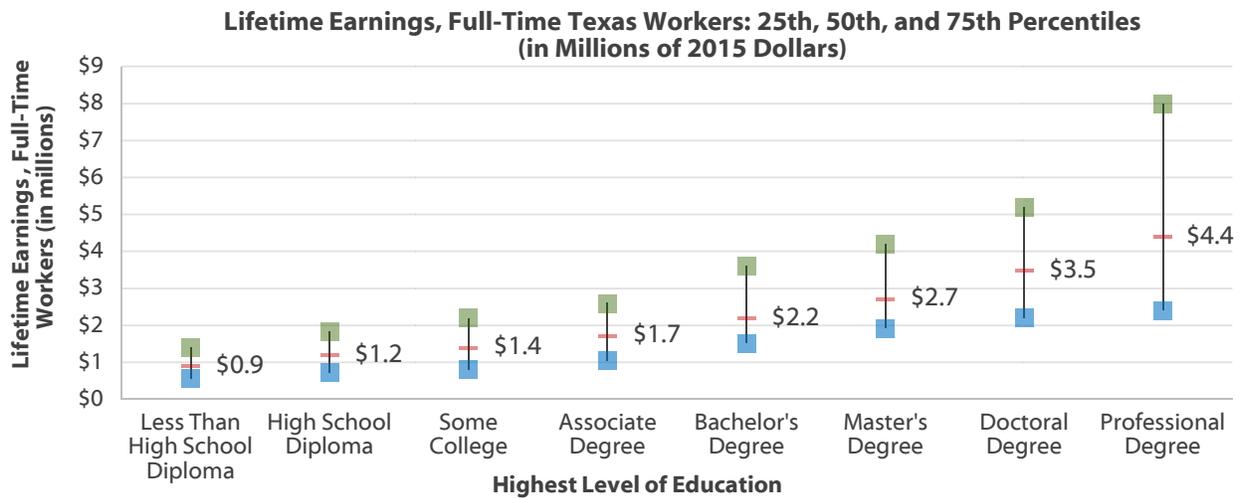
The U.S. Census Bureau reports that higher levels of education are typically associated with higher median earnings; however, annual incomes in the U.S. also vary widely within the same level of education. Consequently, some workers with associate degrees earn more than those with bachelor's degrees, 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 October 2016, the unemployment rate of workers age 25 and older who had not completed high school stood at 7.3 percent. The unemployment rate for high school graduates was 5.5 percent, while the unemployment rate for those with a bachelor's degree and higher was 2.6 percent.

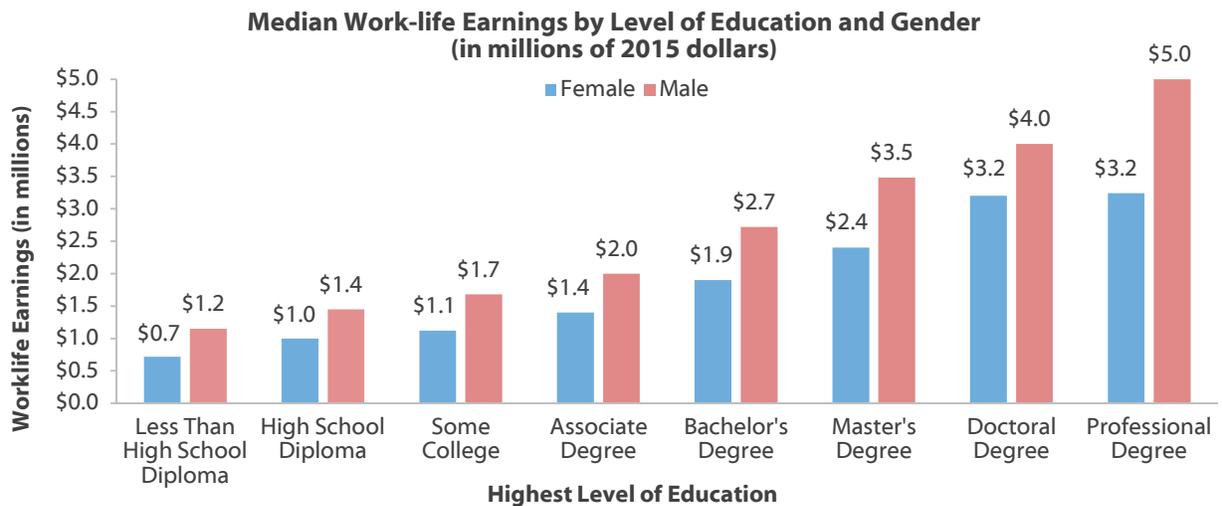
Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," October 2016 (<http://www.bls.gov/news.release/empsit.t04.htm>); Earnings: U.S. Census Bureau, American Community Survey 2015 (<http://www.census.gov/programs-surveys/acs/data/pums.html>)



Better Educated Workers Have Higher Lifetime Earnings



The difference in the salary earned by higher- and lower-educated workers compounds over a lifetime. The estimated earnings during the work-life (approximately 40 years) of a worker who did not complete high school are less than \$1 million. Completing high school increases median lifetime earnings by about \$300,000, and completing a bachelor's degree raises median lifetime earnings to \$2.2 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.



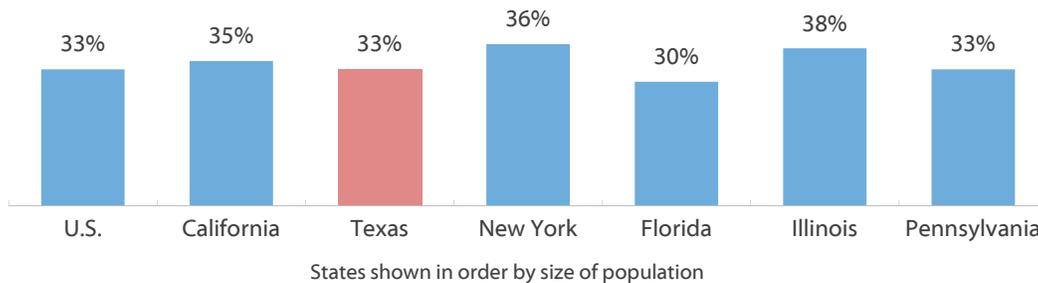
Lifetime earnings differences based on education are even more pronounced for women, who must earn at least a bachelor's degree to make as much as men with some college or an associate degree, on average.

Earnings: U.S. Census Bureau, American Community Survey 2015 (<http://www.census.gov/programs-surveys/acs/data/pums.html>)

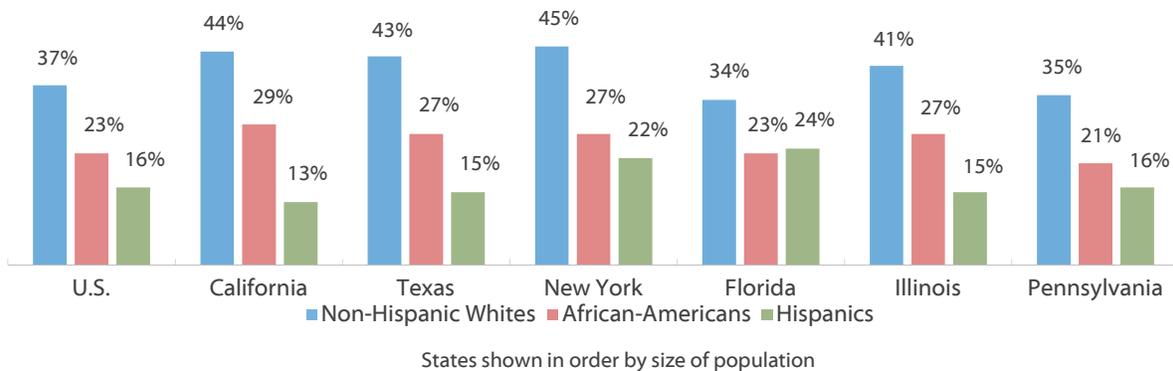


One-third of Texans Age 25 and Older Have a Bachelor's Degree

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



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



Texas is comparable to the nation in the percentage of people who have completed a bachelor's degree or higher. U.S. Census Bureau data show that in 2016 about 33 percent of Texans age 25 and older had obtained a bachelor's degree or higher (up from 29 and 31 percent in 2014 and 2015, respectively). Among the six most populous states, Texas is tied for the third 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:

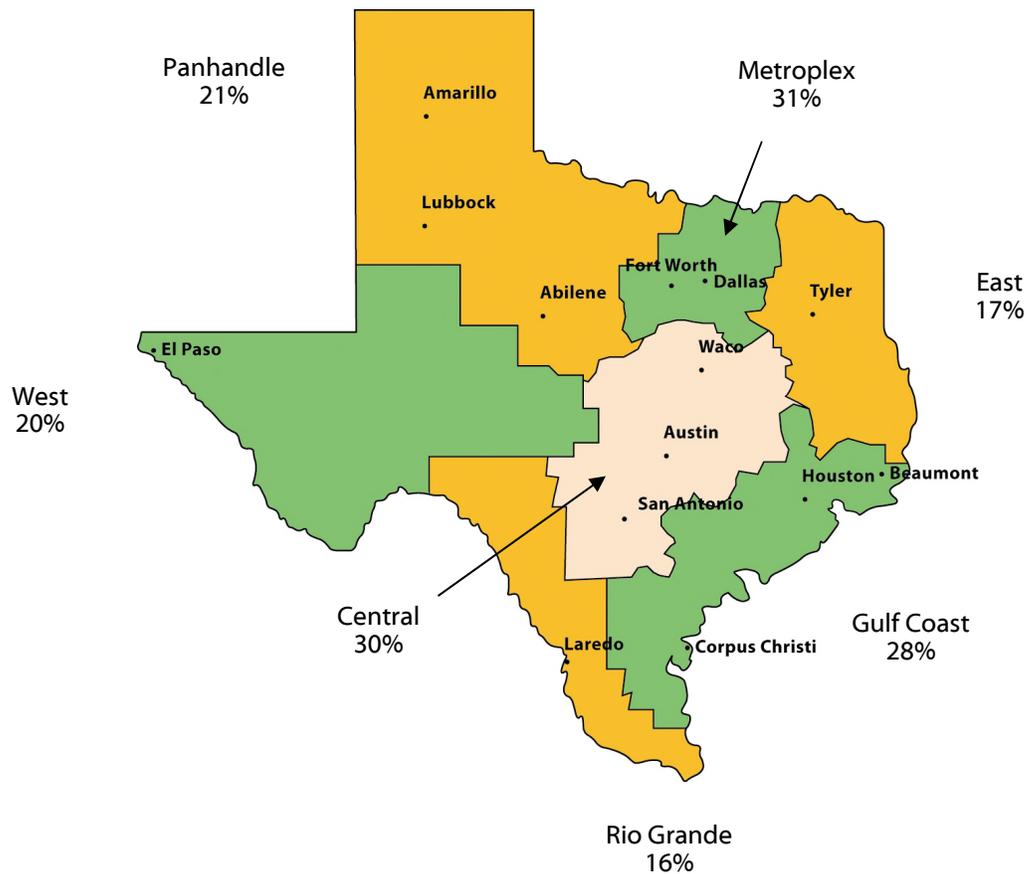
- In Texas, Hispanics are the least likely to complete a bachelor's degree. Only 15 percent of Hispanics age 25 and older have a bachelor's degree or higher, compared with 43 percent of Whites.
- The percentage of African-Americans in Texas who have a bachelor's degree is 16 percentage points lower than that of Whites. This gap has increased by 3 percentage points since 2015.
- Among the six largest states, Texas ranks third in the percentage of Whites with a degree and ties for fourth for Hispanics.
- While the percentage of Whites age 25 or older with a Bachelor's Degree or higher increased by 3 percentage points from 2015 to 2016, the percentages for African-Americans and Hispanics remained steady.

Source: U.S. Census Bureau, Current Population Survey 2015. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement (http://www.census.gov/hhes/www/cpstc/cps_table_creator.html).



Texas Educational Attainment Levels Vary by Region

Population Age 25 and Older with a Bachelor's Degree or Higher (2014)



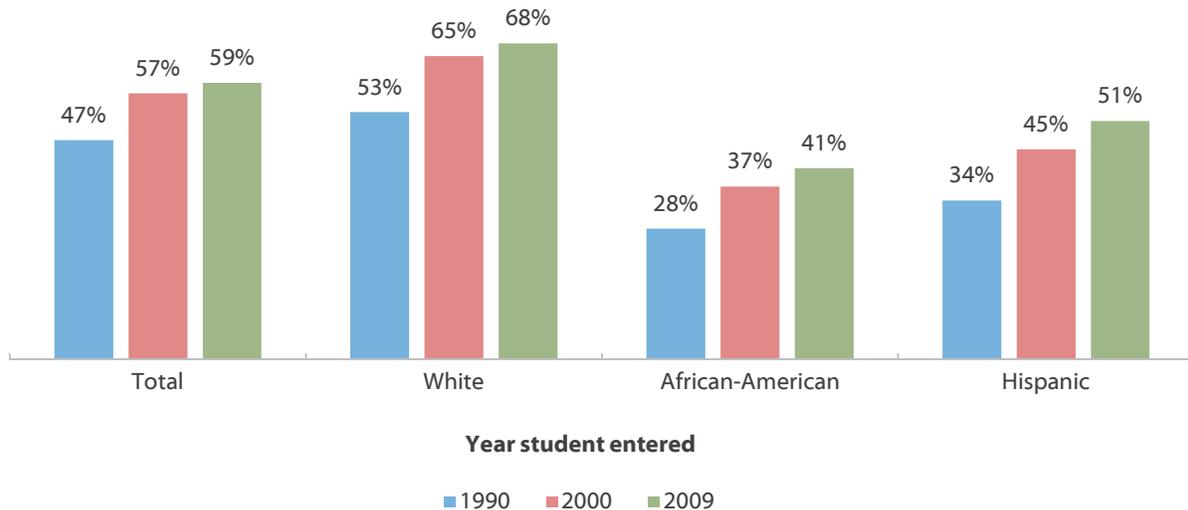
Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex region, 31 percent of people age 25 and older have a bachelor's degree or higher. In Central Texas, home to the state's two flagship universities, 30 percent of adults have a bachelor's degree or higher, and in the Gulf Coast region, 28 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 region, the percentage of college graduates is about half that in the Metroplex region.

Source: U.S. Census Bureau, American Communities Survey, 2010-2014 Three-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 59 percent of first-time (in college), full-time freshmen who entered a Texas public university in 2009 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 68 percent of Whites to 51 percent of Hispanics to 41 percent of African-Americans. The six-year graduation rates have risen over the past two decades for all racial and ethnic groups, but the rates have not increased as dramatically for African-American students as they have for White and Hispanic students.

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 2010, only 31.3 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. In fall 2015, 22.2 percent of public university undergraduates in Texas attended school less than full time/full year; that is, they either took fewer than 12 hours per semester or did not attend two semesters.

Sources: National 4-year Graduation rates: The Chronicle of Higher Education. College Completion. http://collegecompletion.chronicle.com/state/#state=ny§or=public_four; Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates <http://www.thecb.state.tx.us/reports/PDF/3409.PDF?CFID=18285142&CFTOKEN=11849287>; Four-year: THECB, Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>);



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

Percentage of Young Adults in 2015 (Ages 25-34) With a Bachelor's Degree or Higher

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

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 36 percent, the same as the OECD average and 7 percentage points higher than the Texas average. These rankings can change significantly when comparing attainment levels of an associate degree or higher.

Source: OECD (2016), *Education at a Glance 2016: OECD Indicators*, OECD Publishing, Paris.
 DOI: <http://dx.doi.org/10.1787/eag-2016-en>; U.S. Census Bureau, 2014 American Community Survey, 2014 Three-Year Estimates
<http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.
 Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.



Final Closing the Gaps Report Finds Texas Met All Success Targets, but Fell Short of Meeting All Participation Targets

In 2000, Texas set the goal of “closing the gaps” in participation and success in higher education by 2015. The state aimed to achieve this goal by increasing the number of students enrolled by 630,000, and increasing the number of degrees and certificates awarded by 50 percent. In June 2016, the Texas Higher Education Coordinating Board (THECB) released the final progress report for the Closing the Gaps goals.

Texas fell just shy of meeting its 2015 total higher education enrollment goal by about 6,000 students, but surpassed its goal for African-American enrollment by over 50,000 students. African-American enrollment increased by 98 percent from when Closing the Gaps targets were created in 2000. Texas did not meet its 2015 enrollment targets for Hispanic and White students. White student participation has decreased for the past six consecutive years, falling by over 60,000 students since fall 2009. Although Hispanic enrollment rose by more than 100,000 since fall 2010, 2015 enrollment was still over 100,000 students short of the Closing the Gaps target.

Texas met its 2015 goal for the total number of degrees and certificates awarded. The state surpassed its target for total certificates and degrees awarded by over 48,000, and doubled the number of associates degrees awarded between 2000 and 2015. Texas’ new 15 year strategic plan for higher education, referred to as 60X30TX, is currently being implemented.

Texas Closing the Gaps Participation Targets for 2015

	Actual Fall 2015	2015 Targets	Difference	Met 2015 Target?
Total enrollment	1,643,879	1,650,000	6,121	No
African-American enrollment	223,137	172,700	-50,437	Yes
Hispanic enrollment	571,118	676,100	104,982	No
White enrollment	610,812	671,300	60,488	No

Texas Closing the Gaps Success Targets for 2015

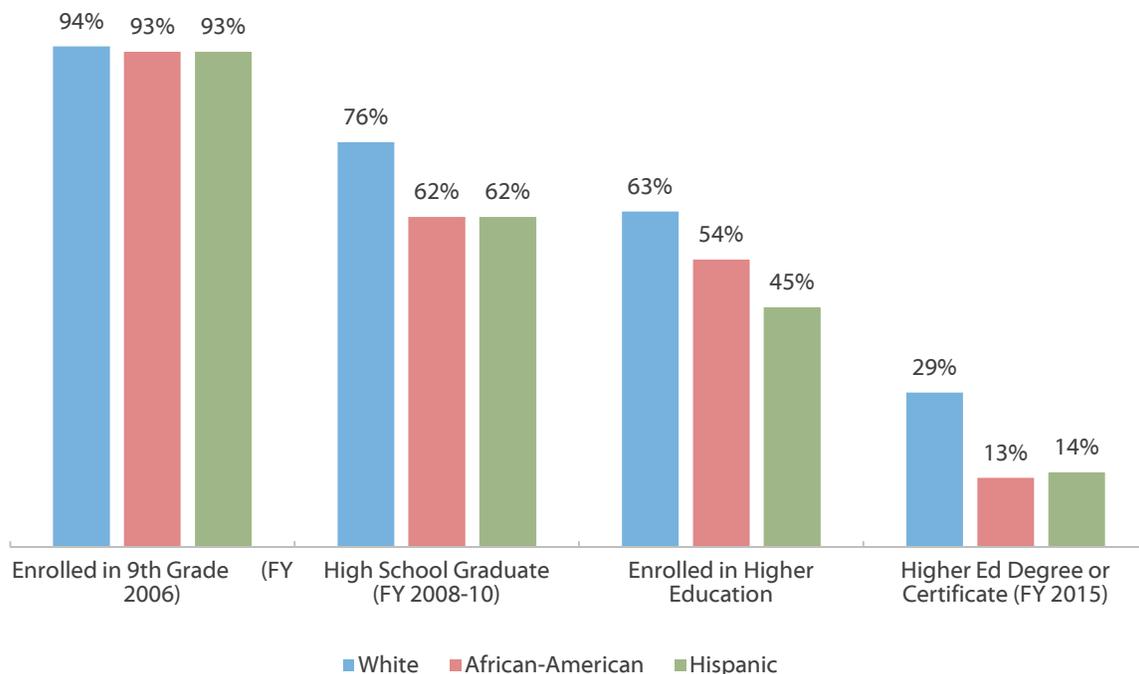
	Actual FY 2014	2015 Targets	Difference	Met 2015 Target?
Total certificates and degrees	258,795	210,000	-48,795	Yes
Associate degrees	81,153	55,500	-26,153	Yes
Bachelor's degrees	127,032	112,500	-14,532	Yes

Sources: THECB. *Closing the Gaps Final Progress Report*, June 2016
<http://www.theccb.state.tx.us/reports/PDF/8138.PDF?CFID=51491906&CFTOKEN=35266879>. THECB. Report Center
<http://www.txhighereddata.org/index.cfm?objectid=27718BD7-BD77-2355-39495E1FB4605755>).



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

**Texas Student Pipeline by Race/Ethnicity
Transition Rates from 8th Grade to College Completion**



The student pipeline is one way to observe the path that Texas students take towards earning a postsecondary credential. The pipeline 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.

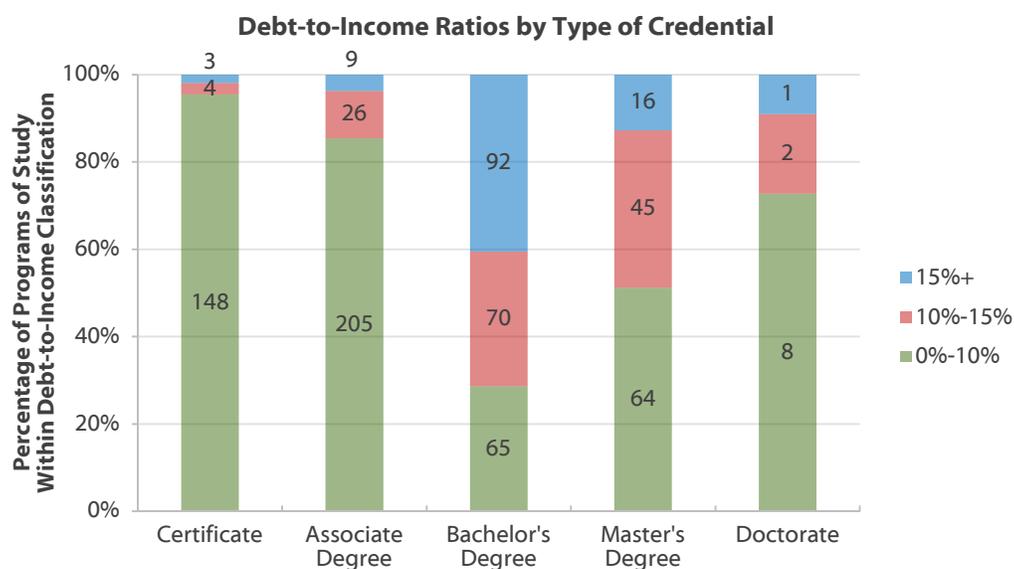
At every stage of the student pipeline, larger percentages of Hispanic and African-American students exited compared to White students. Whereas 63 percent of White 8th graders in 2005 enrolled in higher education directly following high school graduation, only 54 and 45 percent of African American and 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.

Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit

Source: Texas Higher Education Coordinating Board, Regional Topic Data Tabs: 8th Grade Cohort and HS to College Data, 2015 (<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.



Most Programs of Study in Texas Report Graduates' Debt-to-Income Ratios Are Less Than Ten Percent



Debt-to-income ratios — comparisons of student loan debt to annual income — are becoming a more common metric to determine the potential financial burden borrowers may encounter after leaving school. Many experts recommend that annual student loan payments not exceed 15 percent of a borrower's annual income. Based on income within the first year of graduation, certificate holders are the most likely to have debt-to-income ratios under 10 percent, followed closely by associate degree graduates. Bachelor's degree graduates, who are typically enrolled in school for additional years, are the least likely to have ratios less than 10 percent.

Type of Credential	Median Annual Student Loan Payment	Median Annual After-Tax Income	Average Debt-to-Income Ratio
Certificate	\$1,082	\$23,896	5%
Associate Degree	\$1,209	\$23,372	5%
Bachelor's Degree	\$3,698	\$26,304	14%
Master's Degree	\$4,294	\$43,500	10%
Doctorate	\$3,621	\$69,836	5%
Overall	\$1,878	\$27,862	7%

Within the first year after graduation, annual incomes do not vary greatly by award type. However, holders of bachelor's or graduate degrees have student loan payments that are more than double that of their certificate and associate degree counterparts. This first-year snapshot does not necessarily reflect the long-term earning potential of these graduates. Many graduates — especially those who are entering the workforce for the first time — are unemployed or underemployed. The data shown above depict the financial circumstances experienced by many new graduates in Texas.

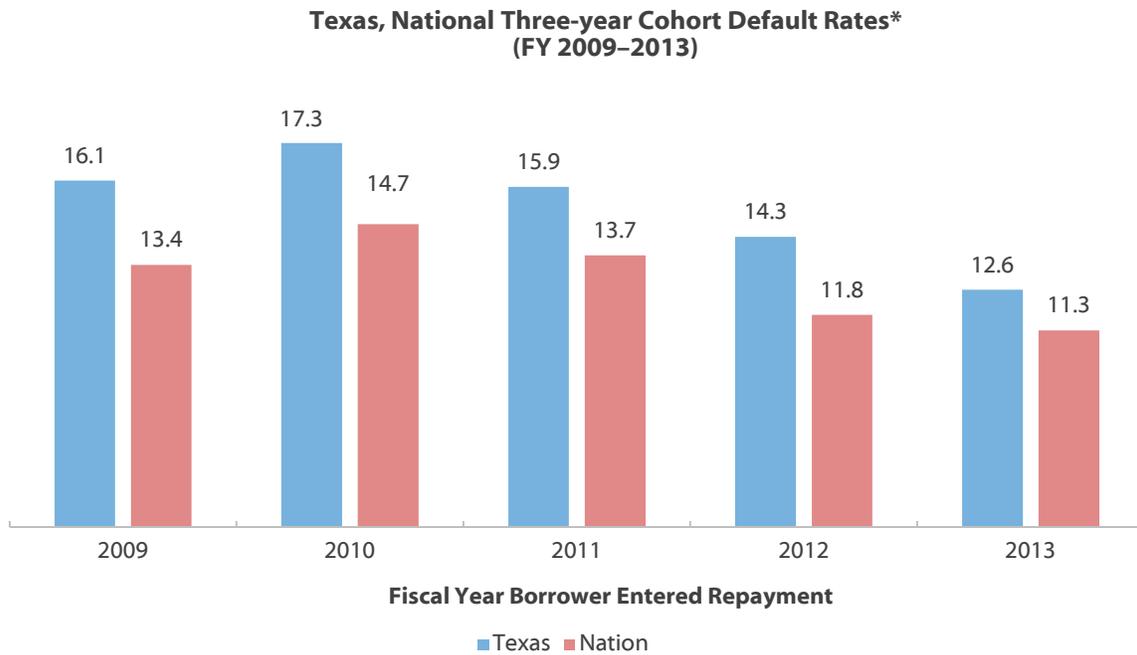
Sources: Public Institution Income: Texas Higher Education Coordinating Board, Gainful Employment – Placement Rate, 2012 (<http://www.txhighereddata.org/reports/performance/ctcasalf/gainful.cfm>); Public Institution Debt: Texas Higher Education Coordinating Board, Debt by Major by School, 2012 (unpublished, special request); For-profit Institution Data: U.S. Department of Education, 2012 Gainful Employment Downloadable Spreadsheet, (<http://studentaid.ed.gov/about/data-center/school/ge/data>).



SECTION 9

**Delinquencies, Defaults,
and Collections**

Default Rates for Texas and the Nation Decrease



The Higher Education Opportunity Act (HEOA) of 2008 redefined cohort default rates (CDRs) to cover a three-year period (as opposed to the previous two) and thus capture more borrowers who default. Publication of the new three-year rates began in 2012 for the cohort of borrowers who entered repayment on their loans in FY 2009. The Texas three-year CDR for the FY 2009 cohort was 16.1 percent, 2.7 percentage points higher than the national three-year CDR at 13.4 percent. The CDR for both Texas and the nation increased in FY 2010 before decreasing for the last three fiscal years. In FY 2013, the rates for Texas and the nation decreased by 1.7 and 0.5 percentage points, respectively.

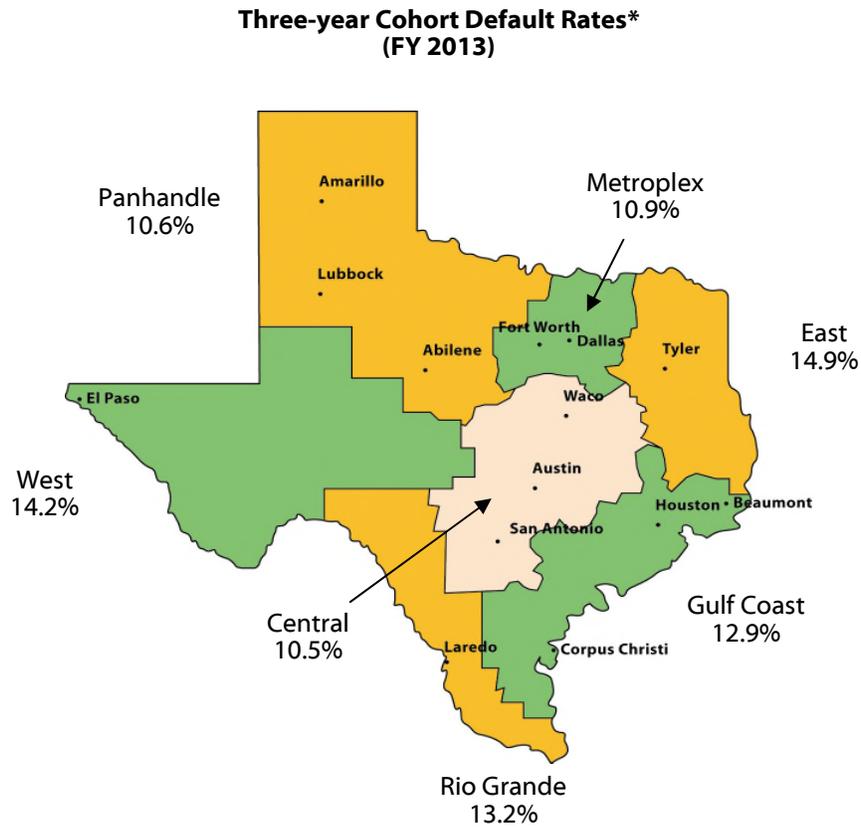
While the precise reason(s) for the recent decline in the CDR is not known, past evidence and other recent trends suggest it may have been caused at least partially by general economic improvement (particularly the falling unemployment rate) and increased usage of repayment flexibility options like income-driven 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. These efforts may be partially responsible for the declining default rate.

*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 2013 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2013 and subsequently defaulted by the end of FY 2015.

Source: U.S. Department of Education, Fiscal Year Three-Year Official Cohort Default Rates, Washington, D.C., 2016.



Texas Three-year Cohort Default Rates Vary by Region



The overall Fiscal Year (FY) 2013 three-year cohort default rate (CDR) for Texas was 12.6 percent (compared to 14.3 percent in FY 2012). Texas' FY 2013 CDR was 1.3 percentage points higher than the 11.3 default rate for the nation. Student loan default rates are higher in Texas despite lower than average total household debt per capita and lower delinquency rates on household debt.

Cohort default rates vary substantially from region to region. In FY 2013, every regional CDR that was lower than the overall Texas CDR was also lower than the national CDR. The CDRs for the different regions of Texas vary from 14.9 percent in the East Texas region to a low of 10.5 percent in the Central Texas region. All of the Texas regions experienced a decrease in the three-year default rates between FY 2012 and FY 2013 except for the West Texas region, where the CDR increased from 13.3 percent in FY 2012 after dropping from 15 percent in FY 2011. The largest difference was seen for schools in the Rio Grande Valley region, where the three-year CDR continued to fall from 16.9 percent in FY 2012 and 17.4 percent in FY 2011. The Metroplex region has remained the most constant, having fallen by only .1 percentage points in each of the last two fiscal years.

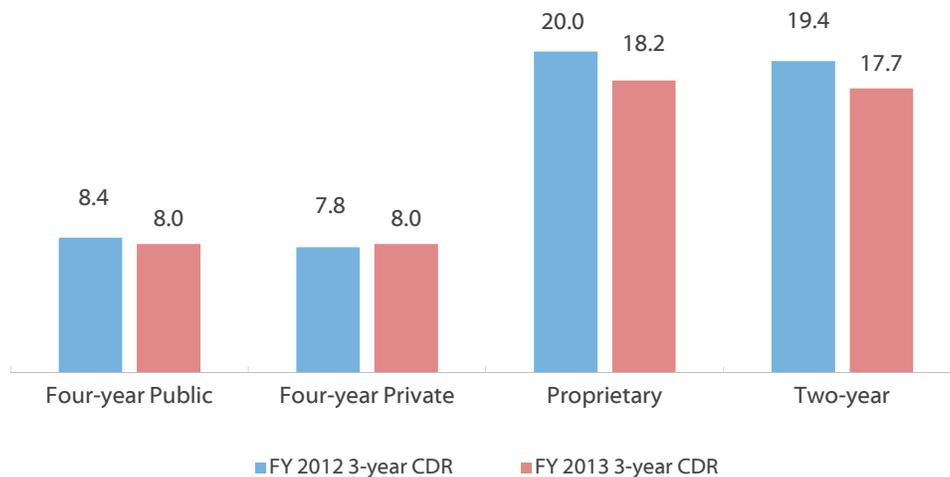
*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. For example, the FY 2013 cohort default rate is based on student borrowers who entered repayment during FY 2013 and subsequently defaulted by the end of FY 2015.

Source: U.S. Department of Education, Fiscal Year 2011 and Fiscal Year 2013 Three-Year Official Cohort Default Rates, Washington, D.C., 2016.



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 2013 three-year cohort default rate (CDR) more than twice the rate of those who attended four-year schools (17.8 percent and 8.0 percent, respectively). Although some proprietary schools offer bachelor’s degrees or higher, most proprietary schools in Texas offer short-term programs exclusively. At 18.2 percent, the highest FY 2013 three-year CDR is for the proprietary sector, followed closely by the two-year sector with a 17.7 percent CDR. This is a minor reversal compared to the nation as a whole, where the proprietary sector had a 15 percent CDR (16.8 percent for 2-3 year programs) and the public two-year sector had an 18.5 percent CDR.

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.

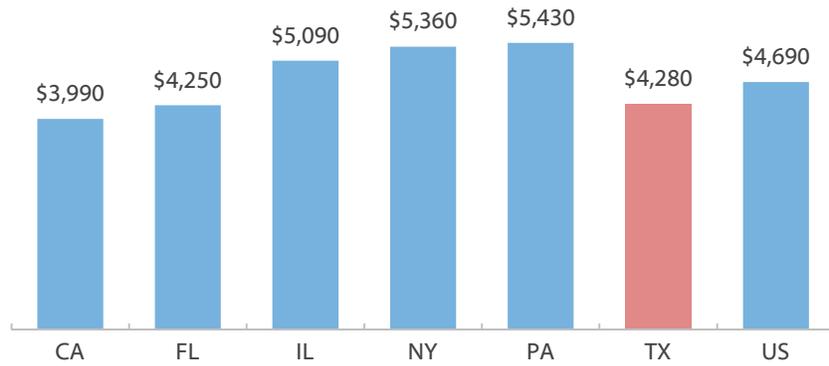
*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2013 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2013 and subsequently defaulted by the end of FY 2015.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2013 Official Cohort Default Rates, Washington, D.C., 2015. ; All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2012" (<http://www.nces.ed.gov/das/>).



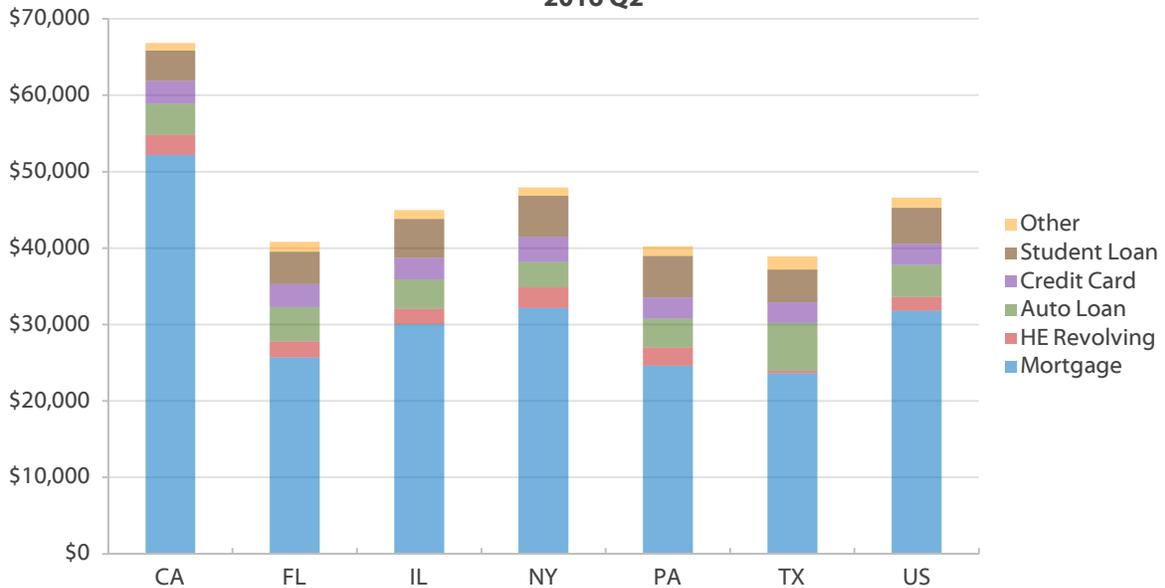
Texas Student Loan Balance Per Capita Lower Than National Average

**Student Loan Debt Balance per Capita by State
2016 Q2**



In the second quarter of 2016, Texans had a per capita student loan debt balance of about \$4,280, higher than the national balance of \$4,690. Texas has the second 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.

**Debt Balance per Capita by State
2016 Q2**



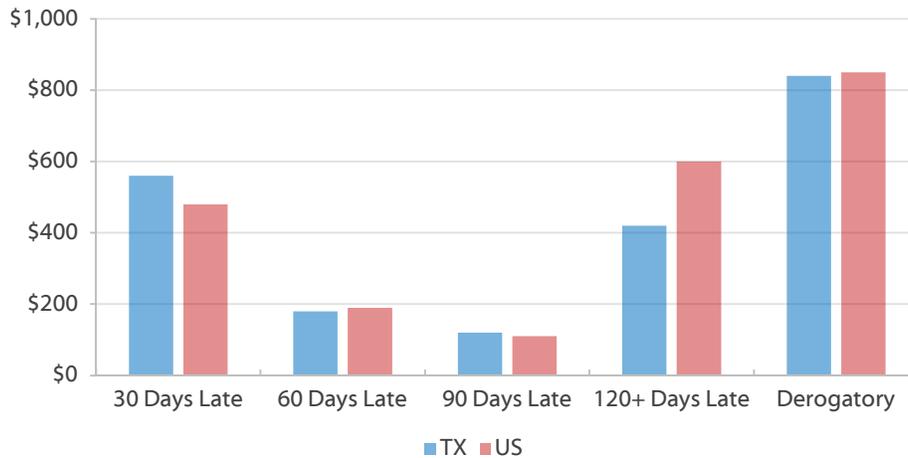
With a per capita average of \$38,910 in debt, Texans have the lowest debt balance among the six largest states and the national average. This debt profile includes mortgage accounts, home equity revolving accounts, auto loans, bankcard or credit card accounts, student loans, and other loans (such as consumer finance and retail loans).

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2016 Q2 (<https://www.newyorkfed.org/microeconomics/data.html>).

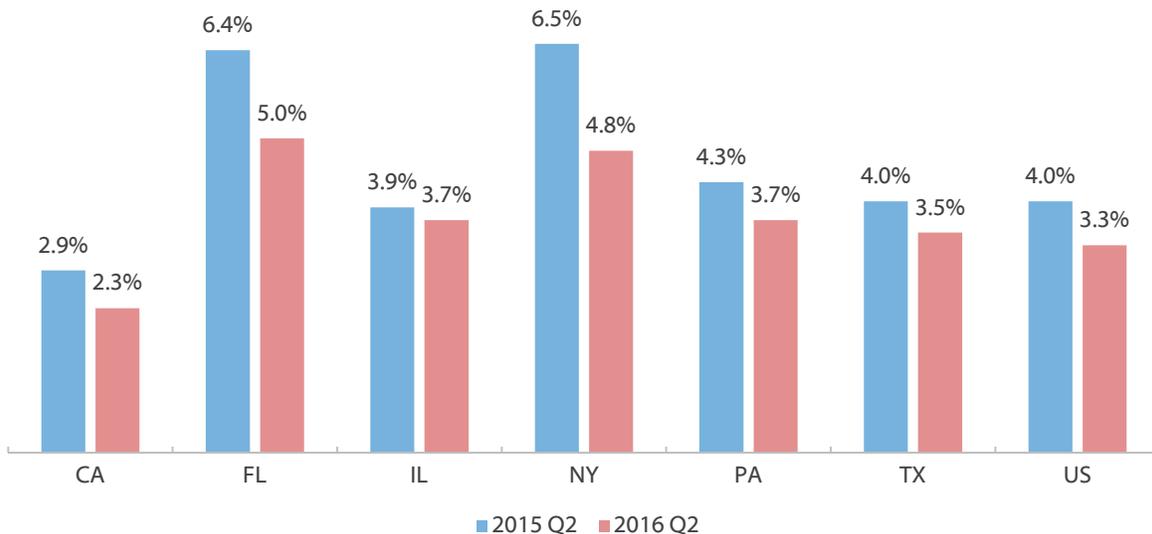


Texas Has Similar Rates of Delinquency on Household Debt Compared to the Nation

**Delinquency Status of Debt per Capita by State
2016 Q2**



**Percentage of Balance 90+ Days Late by State
2015 and 2016**



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 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 end of the second quarter of 2016 compared to the end of the second quarter of 2015. Texas had the second lowest 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, 2016 Q2 (<https://www.newyorkfed.org/microeconomics/data.html>).



SECTION 10

**Texas Higher Education &
Student Debt Policy**

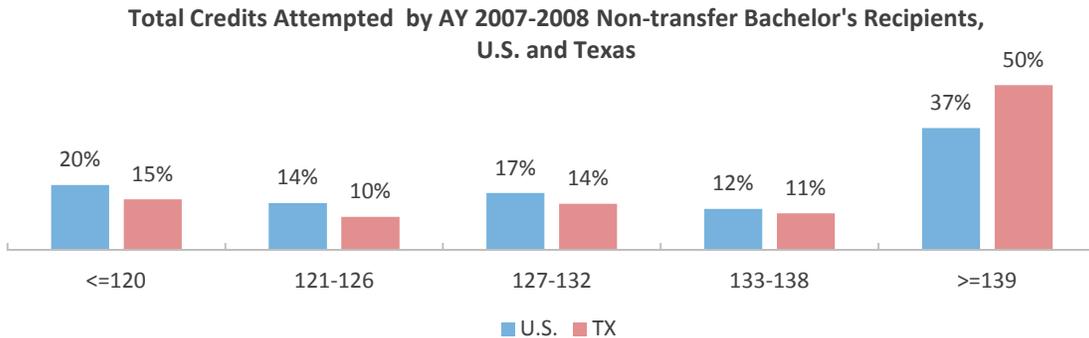
60x30TX: New Strategic Plan Targets Debt-to-Income Ratio

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.

The first two goals continue the work towards expanded access and success begun under Closing the Gaps, the previous strategic plan, but the latter two represent a new direction for the THECB. This new direction should help to address worrying trends in student debt and graduate underemployment*. The plan has identified two additional targets to reach the .6 debt-to-income ratio:

- a) Decrease the excess semester credit hours (SCH) that students attempt when completing an associate or bachelor’s degree.
- b) Work to limit debt so that no more than half of all students who earn an undergraduate degree or certificate will have debt.



The graph above applies only to students who earned their bachelor’s degree after attending only one postsecondary institution. This presents an incomplete picture – for AY 2007-2008, 56 percent of bachelor’s recipients nationally and 69 percent in Texas had attended more than one institution – but also strongly suggests that Texas students attempt even more excess credits on average before earning their degrees (a standard bachelor’s degree requires 120 credits). Transfer students tend to have more excess credits due to curriculum misalignments and other factors.

While meeting the target for excess credits attempted will require substantial reductions, about half of undergraduate degree completers borrow student loans. However, this is partially because students with a greater need to borrow student loans 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 (an explicit goal of 60x30) who graduate 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 costs, making progress towards completion goals while holding the borrowing rate at 50 percent *and* containing the debt burdens of graduates will likely require additional grant funding.

*“Underemployment” includes cases in which graduates are working part time despite wanting to work full time and cases in which graduates are working in positions that do not require the skills associated with their credentials.

Sources: 60x30TX: Texas Higher Education Coordinating Board. THECB 60x30 Strategic Plan (<http://www.thecb.state.tx.us/reports/PDF/6862.PDF>); Credits attempted: Analysis of US Dept of Education, National Center for Education Statistics, Baccalaureate and Beyond 2008-2012 (<http://nces.ed.gov/surveys/b&b/>).



Closing the Gaps Brought Major Increases in Enrollments and Awards, Despite Some Unreached Targets

In 2000, Texas committed itself to a 15-year plan for higher education improvement known as “Closing the Gaps”. The plan identified participation, success, excellence, and research as its goals and established targets to meet them. The Texas Higher Education Coordinating Board (THECB) commissioned a study to assess the impacts to the Texas economy if the goals of Closing the Gaps are met. The study found that meeting the Closing the Gaps goals would result in:

- \$489.6 billion* increased annual spending until 2030
- \$194.5 billion increased annual gross state product until 2030
- \$121.9 billion increased annual aggregate personal income until 2030
- 1,023,281 additional permanent jobs by 2030

Closing the Gaps Final Results and Targets

	2000 Actual	2015 Actual	2015 Target
Participation	baseline	+605,114	+630,000
Success	116,235	258,795	210,000
Excellence	Goal: to substantially increase the number of nationally recognized programs or services in Texas by 2015		
Research	5.5%	5.0%***	6.5%

While Texas made significant progress in several key areas—most notably, Participation and Success – many targets were not reached, even within those areas.

Progress in Participation

As of fall 2015, the state met 96 percent of the overall participation target. African-American enrollment fell for the third straight year but still exceeded 170 percent of the target. White enrollment fell for the sixth straight year and reached only 31 percent of the 101,248 targeted increase. Hispanic enrollment increased more than any other group – over 136 percent since 2000 – but the increase still fell short of the 438,704 target by 109,004 students.

Progress in Success

Texas first exceeded the overall success goal of awarding 210,000 undergraduate credentials in a single year in FY 2011, and awards have continued to increase since. The state also met six of nine affiliated targets; the remaining three relate to completion of science, technology, engineering, and math (STEM) degrees and of teaching credentials. Hispanic students earned 700 more STEM awards in FY 2015 than FY 2014, which was the largest annual percent increase of the three major ethnic groups.

Progress in Excellence

The University of Texas at Austin achieved and maintained a key excellence target – to have a research institution ranked in the top ten in the U.S. – by tying for number one among U.S. public research universities for the second straight year, according to the Center for Measuring University Performance. Many other Texas institutions and programs earned national recognition for excellence since 2000.

Progress in Research

Although research and development expenditures in FY 2015 were \$1.06 billion over the \$3 billion target, Texas achieved no net gain in its share of federal science and engineering R&D obligations. After peaking at 6.1 percent in 2003, Texas’ share has fallen to 5.0 percent, the lowest in over a decade, in FY 2013 and FY 2014. Reaching 6.5 percent of the national total in FY 2014 would have required almost \$450 million in addition to the \$1.36 billion actually received.

*All gains in 2006 dollars; ** A Tale of Two States – And One Million Jobs” by the Perryman Group; ***FY 2014

Sources: Closing the Gaps Goals and Progress: Texas Higher Education Coordinating Board, Accelerated Plan for Closing the Gaps by 2015, April 2010 (<http://www.theccb.state.tx.us/reports/PDF/2005.PDF?CFID=1657207&CFTOKEN=63245910>), THECB. *Closing the Gaps Final Progress Report*, June 2016 (<http://www.theccb.state.tx.us/reports/DocFetch.cfm?DocID=8138&Format=PDF>) All Else: The Perryman Group, *A Tale of Two States – And One Million Jobs: An Analysis of the Economic Benefits of Achieving the Future Goals of the “Closing the Gaps” Initiative of the Texas Higher Education Coordinating Board*, March 2007 (<http://www.theccb.state.tx.us/reports/PDF/1345.PDF?CFID=1657207&CFTOKEN=63245910>).



Funding for Many Texas Financial Aid Programs Increased in 2014-2015 Biennium

**Major Texas Financial Aid Programs
Funding in 2012-2013 (Adjusted) and 2014-2015 Biennia**

	2012-2013 Adjusted Biennium Funding (in millions, rounded)	2014-2015 Biennium Funding (in millions, rounded)	Percent Change
Towards EXcellence Access and Success (TEXAS) Grant	\$579.7	\$724.6	25%
Texas Educational Opportunity Grant (TEOG)	\$23.1	\$27.8	20%
Texas Work-Study	\$17.7	\$18.8	6%
Tuition Equalization Grant (TEG)	\$168.8	\$180.1	7%
B-on-Time Loan	\$107.1	\$112.0	5%
Total	\$896.4	\$1,063.3	19%

Funding for several of Texas' major higher education financial aid programs was increased from the adjusted 2012-2013 Biennium to the 2014-2015 Biennium. Overall, funding for the five major programs was increased by 19 percent, from about \$900 million to over \$1 billion. This is due in part to a decrease in funding in the 2012-2013 Biennium, as the current increases bring funding levels for many of the programs back to pre-cut levels. All state grant programs assist student with financial need, promoting access to higher education to low-income students while helping to limit their need to borrow student loans.

**Other Major Texas Financial Aid Programs
Funding in 2012-2013 (Adjusted) and 2014-2015 Biennia**

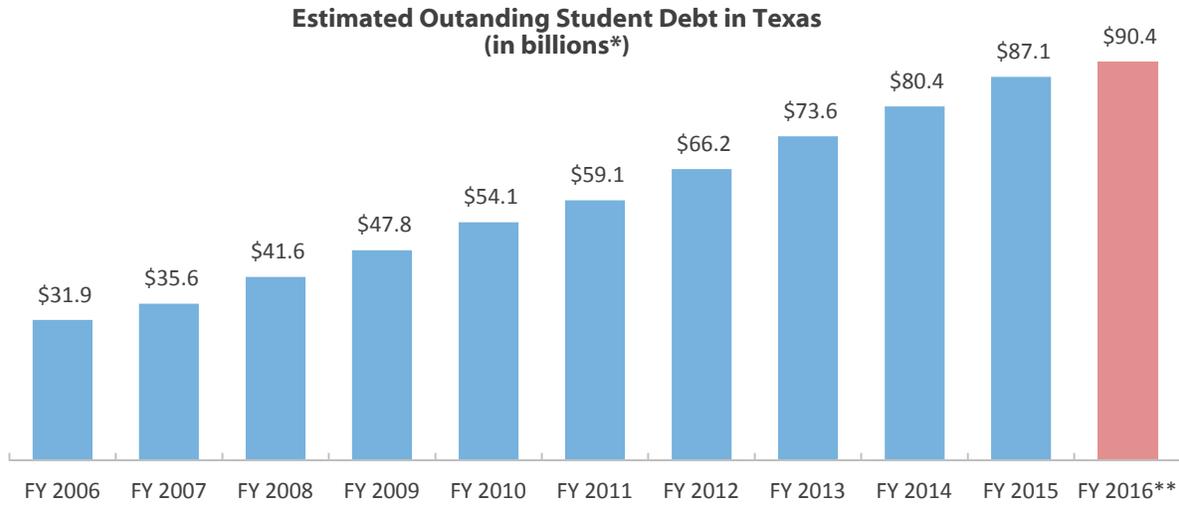
	2012-2013 Adjusted Biennium Funding (in millions, rounded)	2014-2015 Biennium Funding (in millions, rounded)	Percent Change
Top Ten Percent Scholarship	\$39.6	\$39.6	0%
Developmental Education	\$4.0	\$4.0	0%
Texas Research Incentive Program	\$70.0	\$35.6	-49%
Professional Nursing Shortage Reduction Program	\$29.6	\$33.7	14%
Family Practice Residency	\$13.3	\$5.0	-62%
Advanced Research Program	\$1.0	\$1.0	0%
Teach for Texas Loan Repayment Assistance Program	\$1.0	\$4.4	343%
Physician Education Loan Repayment Program	\$5.7	\$33.8	495%

Source: Texas Higher Education Coordinating Board Presentation, "Higher Education Summary of the 83rd Texas Legislature (Regular Session)," July 2013 (<http://www.theccb.state.tx.us/>).



Outstanding Student Loan Debt in Texas Tops \$90 Billion

The rapidly rising national student loan debt has garnered much attention over the past few years. As of June 30, 2016, the total volume of outstanding student loan debt in the United States was estimated at \$1.28 trillion, representing an increase of about \$76 billion over the previous year and \$153 billion over the previous two years. As of the end of 2015, the estimated outstanding student loan volume in Texas was over \$87 billion, up about 8.4 percent from the previous year compared to 6.5 percent nationally. State-level data are not available through 2016; however, if Texans’ relative share of all student debt in the United States in 2015 (just over 7 percent, the highest in over a decade) has remained roughly constant or continued to grow, then student debt held by Texans exceeded \$90 billion for the first time as of June 30, 2016.



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 education loans, which generally do not provide accommodations like income-linked repayment plans, deferments, or forgiveness, account for about 17 percent of student debt nationally. Texas students are more dependent on federal aid, including loans, than students nationally. In Award Year (AY) 2014-2015, 82 percent of student financial aid in Texas came from federal sources, while just 69 percent of student aid nationally is federal. In Texas, 58 percent of all direct aid is in the form of loans, while 48 percent of direct aid in the U.S. overall comes from loans.

Individual student loan debts have grown along with the overall debt loads. From 2004 – 2014, the average student loan balance in the U.S. increased by 56 percent (more than double the rate of inflation over the same period).

*Estimates are based on 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 reported United States total outstanding student debt for that year. This adjustment, which was not made in previous editions of SOSA, has been applied to all years.

**FY 2016 data is projected based on data up to the third quarter of the year.

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

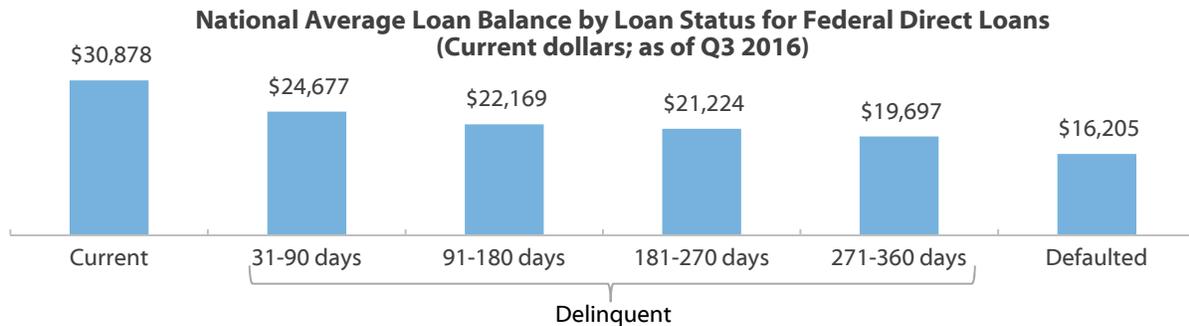
Sources: U.S. Student Loan Debt Estimate: Federal Reserve Bank of New York (FRBNY), Quarterly Report on Household Debt and Credit, Nov. 2016 (https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q3.pdf), Texas Student Loan Debt Estimate: FRBNY Quarterly Report on Household Debt and Credit, Q4 2011 through Q3 2016, and Household Debt and Credit Statistics by County (<http://www.newyorkfed.org/microeconomics/data.html>), Sources of Aid: Texas Higher Education Coordinating Board, Report on Student Financial Aid in Texas higher Education for Fiscal Year 2013, (<http://www.theccb.state.tx.us/reports/PDF/3578.PDF>); U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); The College Board. Trends in Student Aid 2014 <https://secure-media.collegeboard.org/digitalServices/misc/trends/2014-trends-student-aid-report-final.pdf>); Individual Student Loan Balance Since 2005: FRBNY, Student Loan Debt by Age Group (<http://www.newyorkfed.org/studentloandebt/>); Markets: Rohit Chopra, Remarks to 2013 ABS East Conference via Housing Wire (<http://www.housingwire.com/articles/27303-cfbp-student-loan-debt-hijacks-the-housing-recovery>), Meta Brown, FRBNY & Postsecondary National Policy Institute, Student Debt Overview (http://www.newyorkfed.org/regional/Brown_presentation_GWU_2013Q2.pdf); Entrepreneurship: Young Invincibles, Borrowers in Distress: A Survey on the Impact of Private Student Loan Debt, May 2013 (<http://younginvincibles.org/wp-content/uploads/2013/05/Borrower-in-Distress-5.8.13.pdf>), The U.S. Small Business Administration, Frequently Asked Questions About Small Business, Sept. 2012 (http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf)



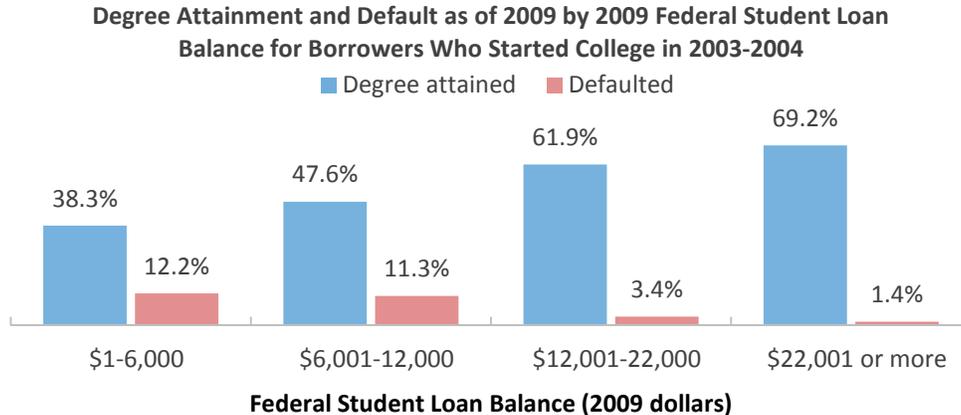
Students Who Borrow More Are Less Likely to Default

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, about one in nine student loan borrowers who entered repayment in fiscal year 2013 defaulted in that year or the next two (a three-year cohort default rate [CDR] of 11.3 percent), but lifetime default rates are much higher. Among federal Direct Loan borrowers in repayment, 17 percent – more than one in six – were in default as of June 2016. 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.

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.



As shown in the chart above, the most severely delinquent and defaulted loans tend to have smaller balances than loans that are currently in active repayment. This counterintuitive pattern has one key cause: Borrowers incur higher debts by staying in school longer.



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 who will 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>); Loan status data: U.S. Dept of Education, Federal Student Loan Portfolio, Q3 2016, (<https://studentaid.ed.gov/sa/about/data-center/student/portfolio>); 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>); 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).

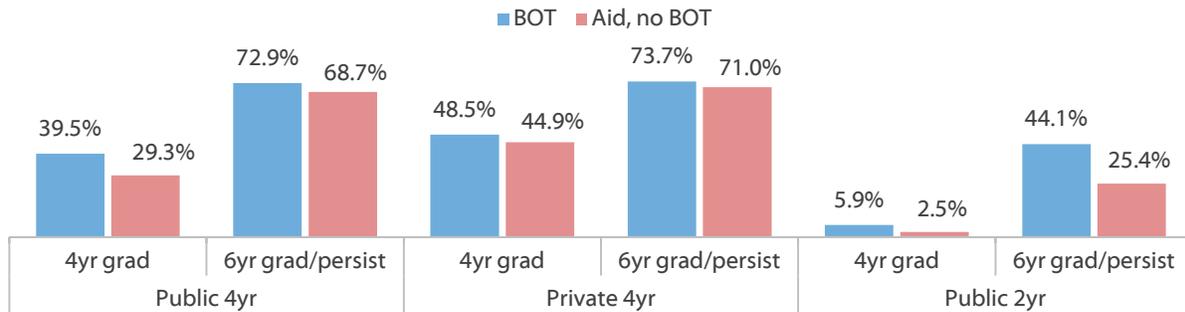


B-On-Time Loan Showed Promise But Was Underutilized

The Texas B-On-Time (BOT) Loan Program is 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 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.

New legislation has been introduced to alter this decision. State Senator Judith Zaffirini (D-Laredo), who wrote the original BOT legislation, has introduced SB 32, which would recreate the program with improvements, such as directing the THECB and school districts to help inform students of its benefits. Rep. Joaquin Castro (D-San Antonio) introduced bills in the previous U.S. Congress to exempt state-sponsored, interest-free loans from preferred lender requirements and even create a national B-on-Time program; this legislation will likely be reintroduced.

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/>).



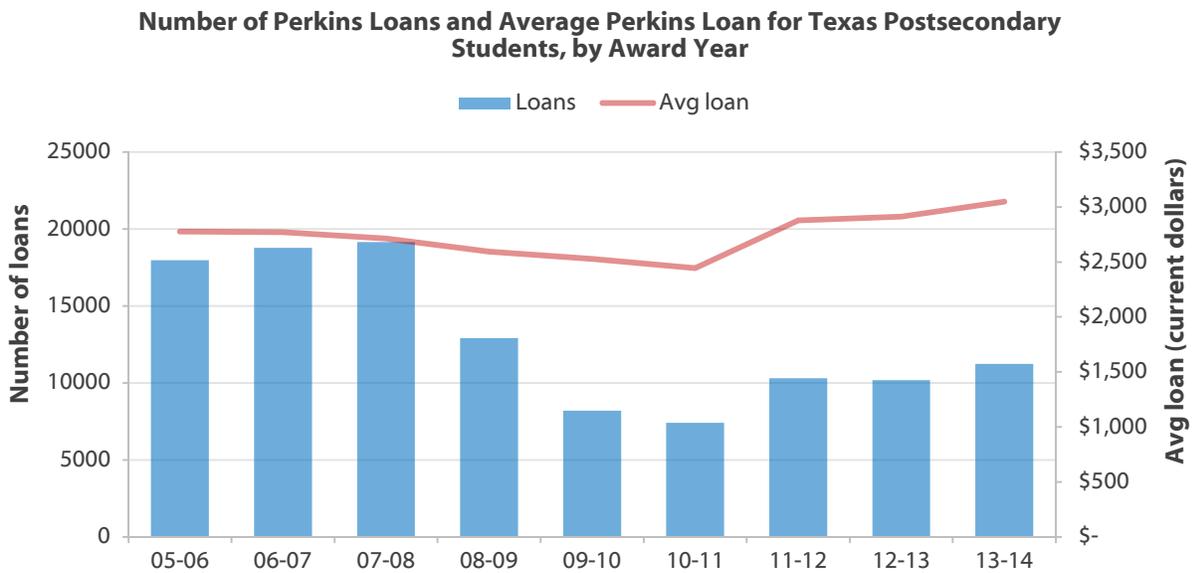
Perkins and B-On-Time: Two Loan Programs Phasing Out

Two loan programs that Texas students have long utilized to finance higher education are currently slated to be phased out: the state B-On-Time (BOT) loan and the federal Perkins loan. Under the terms of HB 700 (84th Texas Legislature), BOT loans will be issued on a strictly renewal basis beginning with the 2015-2016 award year (AY). The BOT program offered loans to eligible undergraduates on highly advantageous terms for the student. These terms included a zero interest rate, grace period, deferment options, and 100% forgiveness upon on-time graduation with a grade point average (GPA) of 3.0 or higher. Despite these benefits and evidence that the program encouraged timely graduation, students were often unaware of the program, and it was generally underutilized (see p.79).

Established under the National Defense Act of 1958, the Perkins loan was the first national federal student aid program. It set the model for subsidized student loans and service-based loan forgiveness and offered substantial benefits, including low interest rates, an extended grace period, and generous forgiveness options.

The U.S. Senate initiated the phase-out of the Perkins loan when it failed to either renew the program or pass an extension by the September 30, 2015 deadline. Passage of the Federal Perkins Loan Program Extension Act of 2015 (H.R. 3594) has extended the program for two years but significantly limits its scope. First-time loans will be made only to undergraduate students with remaining need after exhausting eligibility for both subsidized and unsubsidized Direct Loans, which will bar most community college students from participation. No first-time loans will be issued after September 30, 2017. Even before that date, no first-time loans will be made to graduate students, but current graduate students who have borrowed Perkins loans can continue to borrow Perkins loans until finishing their programs.

The discontinuation of the Perkins loan could create a substantial financial impediment to access and success for low-income Texas students, most of whom already struggle with significant unmet need (see p.58).



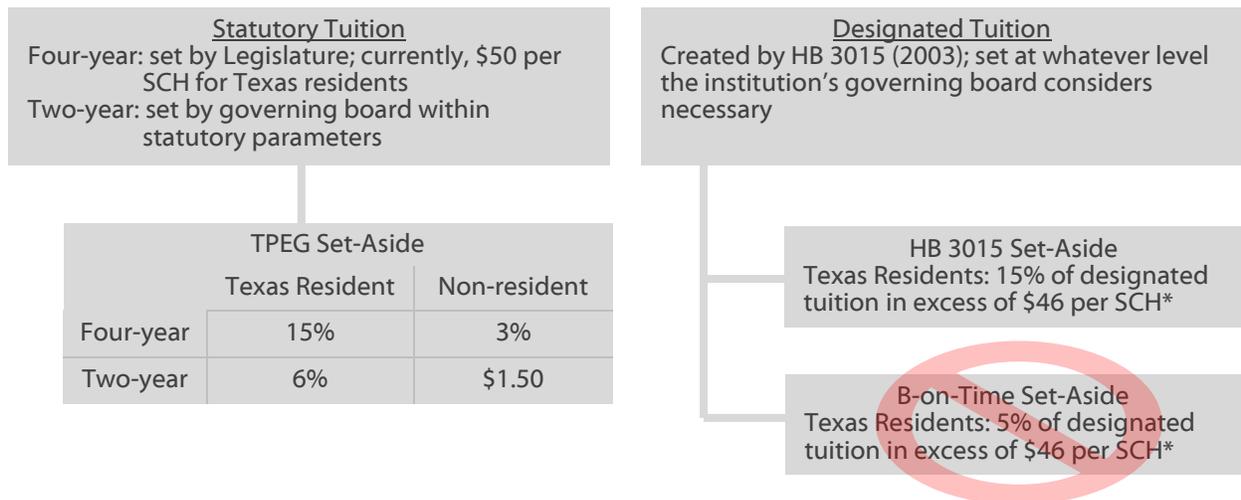
Sources: B-On-time Loans: Texas Higher Education Coordinating Board. Texas Be-On-Time (BOT) Loan Program Fact Sheet (<http://www.hhloans.com/index.cfm?objectid=B00C090D-E45D-4F4B-89DA195959930185>); HB 700: Texas Legislature Online (<http://www.capitol.state.tx.us/BillLookup/History.aspx?LegSess=84R&Bill=HB700>); Perkins Loan background: Berkes, J. & Sponholtz, M. (2015). What We Do (And Don't) Know About Perkins Loan Program Wind-Down. National Assoc of Financial Aid Administrators (http://www.nasfaa.org/news-item/6493/What_we_Do_and_Don_t_Know_About_Perkins_Loan_Program_Wind-down#fund); Perkins loan extension: Berkes, J. (2015). Two-Year Extension of the Perkins Loan Program. NASFAA (http://www.nasfaa.org/news-item/7007/Two-Year_Extension_of_the_Perkins_Loan_Program_Would_Bring_Dramatic_Changes). Texas Perkins data: Texas Higher Education Coordinating Board. Report on Student Financial Aid in Texas Higher Education for Fiscal Year 2006-2014 (<http://www.theccb.state.tx.us/Reports/>).



Tuition Set-Asides Require Colleges to Use Revenue for Aid

One way the state of Texas tries to make college affordable for all students is through tuition set-aside laws, which require that public institutions use a portion of their tuition revenue to provide financial aid. The Texas Legislature mandated set-asides in 1975 to fund the Texas Public Education Grant (TPEG) and expanded them in 2003 with HB 3015. The law allowed public institutions to set their own “designated tuition” but required that they set aside portions of any increase over \$46 per semester credit hour (SCH). The Texas Higher Education Coordinating Board (THECB) estimates that eliminating set-asides could reduce average public tuition by about seven percent. THECB also reports that tuition set-asides funded about \$345 million in financial aid for 208,944 students with in FY 2015.

Public University (Four-year) and Community College (Two-year) Tuition



Texas Public Education Grant (TPEG; TEC Sec 56.031-56.039, est. 1975)

- Each institution collects from and disburses to its own students.
- In FY 2015, \$146,770,037 was disbursed to 120,496 students. These students had exceptional financial need: about half were below the poverty line (\$23,624), and over 80 percent were below median income (\$52,550).

Financial Aid Funded by Designated Tuition Set-Asides (HB 3015; TEC Sec 56.011-56.012, est. 2003)

- Each institution collects from and disburses to its own Texas resident students and is legally required to notify resident students of the set-aside every semester/term.
- Aid may include loans and work-study, but 99 percent of funds were used for grants/scholarships in FY 2015.
- In FY 2015, \$196,804,001 was disbursed to 87,332 students. These students had exceptional financial need: 43 percent were below the poverty line, and 73 percent were below the median income.

B-on-Time Loan (TEC Sec 56.0092, est. 2003, rescinded 2013)

- Made zero-interest loans to resident undergraduate students; see page 79 for additional details.
- In FY 2015, \$58,990,699 was disbursed to 9,484 students. These were mostly middle-income students: 67.6 percent of recipients were above median income in FY 2015.

* Both two- and four-year institutions are subject to this set-aside, but no community college currently charges designated tuition greater than \$46 per SCH.

Sources: THECB, *Report on student financial aid in Texas higher education for fiscal year 2015*, September 2016 (<http://www.theccb.state.tx.us/reports/PDF/8504>)

