



INTERIM REPORT

TO THE 83RD TEXAS LEGISLATURE



HOUSE COMMITTEE ON
HIGHER EDUCATION
JANUARY 2013

**HOUSE COMMITTEE ON HIGHER EDUCATION
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2012**

**A REPORT TO THE
HOUSE OF REPRESENTATIVES
83RD TEXAS LEGISLATURE**

**DAN BRANCH
CHAIRMAN**

**COMMITTEE CLERK
DUSTIN MEADOR**



Committee On
Higher Education

January 11, 2013

Dan Branch
Chairman

P.O. Box 2910
Austin, Texas 78768-2910

The Honorable Joe Straus
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on Higher Education of the Eighty-Second Legislature hereby submits its interim report including recommendations for consideration by the Eighty-Third Legislature.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "Dan Branch", written over a horizontal line.

Dan Branch

Joaquin Castro

Dennis Bonnen
Dennis Bonnen

Diane Patrick
Diane Patrick

Eric Johnson
Eric Johnson

Roberto R. Alonzo
Roberto R. Alonzo

Donna Howard
Donna Howard

Tryon D. Lewis
Tryon D. Lewis

John Raney
John Raney

Joaquin Castro
Vice-Chairman

Members: Roberto R. Alonzo, Dennis Bonnen, , Donna Howard, Diane Patrick, Tryon D. Lewis, Eric Johnson, John Raney

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INTRODUCTION

The Honorable Joe Straus, Speaker of the House of Representatives, appointed nine members of the 82nd Legislature to serve on the House Committee on Higher Education. The following members were named to the committee: Chairman Dan Branch, Vice-Chairman Joaquin Castro, Rep. Roberto R. Alonzo, Rep. Dennis Bonnen, Rep. Fred Brown, Rep. Donna Howard, Rep. Diane Patrick, Rep. Tryon D. Lewis, and Rep. Eric Johnson. During the interim, Rep. John Raney was appointed by Speaker Straus to fill the position vacated by Rep. Fred Brown.

Pursuant to House Rule 3, Section 17 (82nd Legislature), the Committee has jurisdiction over all matters pertaining to:

- (1) education beyond high school;
- (2) the colleges and universities of the State of Texas; and
- (3) the following state agencies: the Texas Engineering Experiment Station, the Texas Engineering Extension Service, the Texas Higher Education Coordinating Board, the Texas Guaranteed Student Loan Corporation, the State Medical Education Board, the Prepaid Higher Education Tuition Board, and the Texas Transportation Institute.

During the interim, Speaker Joe Straus issued six interim charges to the committee to study and report back with facts, findings, and recommendations. The House Committee on Higher Education has completed its hearings and investigations, and has adopted the following report.

HOUSE COMMITTEE ON HIGHER EDUCATION

INTERIM STUDY CHARGES

1. Review the various research funding programs available to institutions of higher education. Analyze the effectiveness of each program and recommend whether state funding should be continued. Consider whether the investments made in these programs are attracting research projects to Texas and whether more emphasis should be placed on policies that attract outside research funding to Texas. Consider whether maintaining multiple programs dilutes the state's efforts to attract groundbreaking research to Texas.
2. Review potential improvements to transfer pathways within the state's higher education system. Examine the impact of transferability on timely degree completion. Study and recommend strategies to improve the "2+2" model as a low cost degree option.
3. Evaluate proposals for the state's next master plan for higher education beyond 2015, including a review of various metrics to measure successful outcomes in higher education.
4. Evaluate the funding, performance, and administration of the state's adult basic education programs. *(Joint with the House Committee on Appropriations)*
5. Examine the impact of research at state universities on the state economy. Identify ways to increase the partnership opportunities between private business and research institutions to enhance the commercialization of newly discovered technology. *(Joint with the House Committee on Economic & Small Business Development)*
6. Monitor the agencies and programs under the committee's jurisdiction and the implementation of relevant legislation passed by the 82nd Legislature.

CHARGE 1

Review the various research funding programs available to institutions of higher education. Analyze the effectiveness of each program and recommend whether state funding should be continued. Consider whether the investments made in these programs are attracting research projects to Texas and whether more emphasis should be placed on policies that attract outside research funding to Texas. Consider whether maintaining multiple programs dilutes the state's efforts to attract groundbreaking research to Texas.

Background

Public institutions of higher education are tasked not only with transmission of existing knowledge, but also the creation of new knowledge. To fulfill that mission, Texas maintains various research funds that direct millions of state dollars toward basic research, applied research, and technology transfer. These investments must be effective in order to provide state-of-the-art educational opportunities for college students, attract talented faculty for our institutions, and ultimately lead to the ground-breaking innovations that drive the state's economy and improve quality of life.

Findings

Research Funding Programs

Five separate funds are dedicated to fostering increased research capacity at eligible general academic institutions:

- National Research University Fund (NRUF)
- Research Development Fund (RDF)
- Texas Competitive Knowledge Fund (TCKF)
- Texas Research Incentive Program (TRIP)
- Research University Development Fund (RUDF)

These programs are strategically targeted and vary in many respects including their source of funding purpose, eligible recipients, activities funded, and allocation methodology.¹

Research Development Fund

Legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, established the Research Development Fund effective September 1, 2005, to replace the University Research Fund and the Texas Excellence Fund, both of which expired at the end of fiscal year 2005. The Education Code states that a certain portion of the annual \$50 million contribution to the Permanent Higher Education Fund should be redirected to fund a portion of the RDF.

The RDF promotes increased research capacity at eligible general academic teaching institutions for individual projects, such as laboratory and equipment upgrades and graduate student tuition. The University of Texas at Austin, Texas A&M University, and Prairie View A&M University are not eligible. Appropriations for the RDF are apportioned among eligible institutions according to a formula based on each institution's three-year average of restricted research expenditures as reported by the Texas Higher Education Coordinating Board (THECB).

The RDF is statutorily defined as a Comptroller-controlled fund; however, the Legislature has not funded the RDF as a stand-alone appropriation item since the 2006-07 biennium. Funds identified as RDF have instead been appropriated directly into the bill patterns of each eligible institution.² In its 2012 review of the THECB, the Sunset Commission recommends eliminating

statutory language requiring that the THECB report restricted research expenditure data to the Comptroller. In order to maintain the allocation methodology, the THECB advises that it retain the statutory authority to collect and report data to the Legislative Budget Board.³

National Research University Fund

In 2009, the Legislature created NRUF, “to provide a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities.” In order to be eligible for funding, institutions have to meet specific, mandatory eligibility criteria:

- Designated as an emerging research in THECB Accountability System;
- \$45 million in restricted research expenditures for last two years.

Institutions must also meet four of six additional eligibility criteria:

- An endowment fund in excess of \$400 million;
- Award more than 200 Ph.D.s per year;
- Entering freshman class of high academic achievement;
- Recognition of research capability and scholarly attainment;
- High quality faculty;
- High-quality graduate education programs.

Article VII of the Texas Constitution authorizes the Legislature to appropriate some or all of the total return on all investment assets of the NRUF for the purposes of the fund, except for two caveats: (1) the Legislature may not increase distributions from the fund if the purchasing power of investment assets for any rolling 10-year period is not preserved, and (2) the amount appropriated from the proceeds of the NRUF corpus in any fiscal year must be capped at 7 percent of the investment assets’ average net fair market value. Until the NRUF has been invested long enough to determine its purchasing power over a 10-year period, the Legislature is authorized to use other means of preserving the purchasing power of the fund.

Only Texas Tech University and University of Houston have qualified to receive NRUF distributions this biennium. Each received approximately \$7.9 million for Fiscal Year 2012. Fiscal Year 2013 allocation will be determined by the Comptroller in accordance with House Bill 1000 passed during the 82nd Legislature.

Texas Competitive Knowledge Fund

In 2007, the Competitive Knowledge Fund was established to enhance the support of faculty for the purpose of instructional excellence and research. The 2012-13 appropriation was based on providing \$685,000 to each eligible institution for every \$10 million in unrestricted research expenditures as averaged over a 3-year period. The 2012-13 fund was reduced 25 percent from the previous biennium and was distributed to institutions using the average research expenditure

data from fiscal years 2008, 2009, and 2010. Eligibility is determined by the Legislature and is currently restricted to UT-Austin, Texas A&M University, the University of Houston, Texas Tech University, and UT-Dallas.⁴

Texas Research Incentive Program

In 2009, the Texas Legislature created the TRIP to provide matching funds to assist emerging research universities in leveraging private gifts for the enhancement of research productivity and faculty recruitment. Matching funds are awarded based on how much an institution raises in private gifts and endowments to enhance research activities. From FY 2010 through FY 2012, \$65.3 million in matching funds has been provided to eligible public institutions. The size of the match is set in statute (TEC 62.123):

- 50% match for gifts between \$100,000 and \$1 million,
- 75% match for gifts between \$1 million and \$2 million,
- 100% match for gifts of \$2 million to \$10 million.

Matching grants are awarded in order of the date of certification until funds are depleted. Institutions report eligible gifts to the Coordinating Board, which facilitates a peer review of all TRIP match requests, as institutions may challenge the eligibility of other institutions' gifts. Final determination of eligibility is made by THECB staff. The THECB testified that there is approximately \$30.1 million in private potential donations to be matched in FY 2013.⁵

Research University Development Fund

In 2009, the Texas Legislature established the RUDF to provide funding to research and emerging research universities for the recruitment and retention of highly qualified faculty and the enhancement of research productivity. Distributions are based on the average amounts of total research funds expended by institutions during the three most recent state fiscal years. The rates are defined as:

1. at least \$1 million for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is \$50 million or more; and
2. at least \$500,000 for every \$10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is less than \$50 million.

Funding has not been appropriated by the Legislature to support the program.

Norman Hackerman Advanced Research Program

In 1987, the Texas Legislature established the Advanced Research Program, renamed in October 2007 to the Norman Hackerman Advanced Research Program (NHARP). The NHARP focuses on basic research and provides competitive, peer-reviewed grants to researchers designed to

enhance basic research activities at all Texas public and private general academic and health-related institutions. Since its inception, NHARP has provided research opportunities to more than 4,800 undergraduate students, more than 7,600 graduate students, and more than 90 high school science programs.

Funding has declined from \$60 million at program inception to \$1 million for FY12-13. Recent changes to reflect reduced funding include 12 awards at \$80,000 each made for the biennium, compared to a historical average is 160 awards at \$120,000 each. Only “Early Career Investigators” allowed to submit applications and priority was given to research in Molecular Biology, Cellular Biology, Genetics, and Materials Science/Nanoscience. The THECB has requested a \$8 million exceptional item in its FY14-15 Legislative Appropriations Request.⁶

Cancer Prevention Research Institute of Texas

The Cancer Prevention and Research Institute (CPRIT) is the successor to the Cancer Council and was established with the passage and ratification by voters of a constitutional amendment (House Joint Resolution 90, 80th Legislature, 2007). In addition to establishing the Institute, the amendment authorized the issuance of up to \$3 billion in General Obligation bonds over a 10-year period to fund grants for cancer prevention and research, particularly research that improves clinical treatment or prevention of cancers.⁷

Grants are distributed to learning institutions and advanced medical research facilities to research the causes of and cures for cancer, provide cancer research facilities, research therapies, protocols, and treatments for the cure or substantial mitigation of cancer, and develop cancer prevention and control programs. The first grants became available in 2010, and funding is eligible to continue until August 31, 2020.⁸ At the time of testimony, the Institute had issued 427 grants, representing \$756 million invested in cancer research. Of these grants, 311 were research awards to academic institutions. The receiving institutions were able to leverage these awards for approximately \$60.4 million in non-state funds for academic research.⁹

In his testimony to the committee, Dr. David Russell, Vice Provost & Dean of Basic Research at The University of Texas Southwestern Medical Center, lauded the impact of CPRIT, stating that the availability of CPRIT funds were driving recruitment at UTSW. Dr. Russell pointed to first time investigator awards as particularly significant in winning “almost every” recruitment battle with prestigious institutions such as Harvard, Princeton, and the University of California - San Francisco.¹⁰

Special Items and Formula Funding

Texas uses a formula funding system to allocate resources to public colleges and universities. The Texas Legislature may also authorize additional direct appropriations to a specific institution for special items, which are funds to support a specific program or activity. For the 2012-13 biennium, appropriations for special items related to research activities totaled approximately

\$230 million. Examples of such items are the McDonald Observatory at UT-Austin and the Superconductivity Center at the University of Houston.¹¹

In addition to special item funding, Health Related Institutions (HRI) receive state appropriations to support research through General Revenue Funds in the Research Enhancement formula, found in Section 29 of Higher Education Special Provisions, 82nd General Appropriations Act. The biennial appropriations for this formula was \$62.9 million in FY 2012-13. The formula allocates \$1,412,500 for each institution plus 1% of research expenditures as reported to the THECB.¹² The research rate in the formula has declined from a 2.85% in FY 2000-01 to 1% in the current FY 2012-13 biennium.¹³

Effectiveness of Research Programs

Closing the Gaps

To improve the state's research capability, research goals were included in the Closing the Gaps by 2015 plan. Goals include:

- By 2015, increase the level of federal science and engineering research and development obligations to Texas institutions to 6.5 percent of obligations to higher education institutions across the nation.
 - Increase federal science and engineering obligations to Texas universities and health-related institutions from 5.5 percent of the obligations in 2000 (or \$1.1 billion in 1998 constant dollars) to 6.2 percent in 2010, and to 6.5 percent of obligations to higher education by 2015.
 - Increase research expenditures by Texas public universities and health-related institutions from \$1.45 billion to \$3 billion by 2015 (approximate 5 percent increase per year).

At \$3.7 billion in expenditures per year, public institution research expenditures are well above the plan's target goal. Federal research dollars have also increased from \$835 million in 1999 to \$1.8 billion in 2009, the last reported year. Despite this significant increase, the percentage of obligations remains below target.¹⁴

Research Universities

Dr. R. Bowen Loftin, President of Texas A&M University testified before the committee on the value of state research funds at his institution. President Loftin testified that state support of facilities and equipment was key to attracting and retaining quality faculty, particularly in life sciences and engineering. President Loftin described the strong multiplier effect of state dollars at Texas A&M, where the return on investment is estimated to be as high as eighteen to one.¹⁵

William Powers, President of The University of Texas at Austin testified to the importance of flagship institutions as the principle engines of research, stating that state dollars have the best return on investment when allocated to the state's research universities. President Powers

stressed the importance of the Texas Competitive Knowledge Fund, stating that the fund was a recognition that regular formula funding doesn't fully address the needs of the state's major flagship institutions.¹⁶ Both President Powers and President Loftin expressed concerns with expanding eligibility to the TCKF without also increasing the overall size of the fund.

Emerging Research Universities

Each of the state's eight Emerging Research Universities - those universities competing to become the next national research university in Texas - provided testimony on the effectiveness of state research funding. Each university emphasize the importance of programs such as the Research Development Fund, the Texas Research Incentive Program, and the Texas Competitive Knowledge Fund in their pursuit of national research university status.

Dr. Denise M. Trauth, President of Texas State University-San Marcos, the university most recently included in the emerging research university category, described that institution's efforts to leverage the funding received through the Research Development Fund to help build their research capacity and increase its research infrastructure. As a result Texas State research expenditures grew from just under \$9 million per year in FY 2005 to nearly \$33.5 million per year in FY 2011, an increase of 276 percent.¹⁷

Each of the eight emerging research universities lauded the TRIP program's effectiveness. Dr. David Daniel, President of The University of Texas at Dallas, testified that his institution had raised \$31 million in private funding resulting in \$27 million received in TRIP matching funds; demonstrating that the state doubled its investment as \$1 value at UT-Dallas cost the state 47 cents.¹⁸ Likewise, Dr. Ricardo Romo, President of The University of Texas at San Antonio testified that TRIP provides an incentive for UTSA to work hard for private funds, resulting in a total of \$3.8 million in TRIP matching dollars received since the TRIP program began in 2009.¹⁹ While the TRIP program has had its successes, the program has not kept up with the ability of institutions to attract donors and the willingness of donors to support Emerging Research Universities.

In 2012, the University of Houston and Texas Tech University became the first institutions to qualify for distributions from the National Research University Fund, with each university receiving annual appropriations of \$7.8 million. Dr. Renu Khator, President of the University of Houston, told the committee these resources will be used to fund the university's highest research priorities, with preference given to the development of core facilities to be shared by multiple faculty across multiple disciplines in the university's most productive and promising areas of research, most notably energy and the health sciences.²⁰ Dr. Lawrence Schovanec, Interim President of Texas Tech University testified that NRUF funds will be allocated towards faculty salaries, start-up packages, equipment, graduate fellowships, and other research related opportunities.²¹

Recommendations

1. Strengthen the incentive for private contributions to public university research through increased capacity in the Texas Research Incentive Program.
2. Continue investments in state research pools including the Research Development Fund, the Texas Competitive Knowledge Fund, and Norman Hackerman Advanced Research Program.
3. Place the Texas Competitive Knowledge Fund into statute to enhance the stability and clarity of the fund.

CHARGE 2

Review potential improvements to transfer pathways within the state's higher education systems.
Examine the impact of transferability on timely degree completion. Study and recommend strategies to improve the "2+2" model as a low-cost degree option.

Background

Each year, thousands of students enroll in the Texas higher education system with the goal of attaining a baccalaureate degree. For many of these students, community college presents the most convenient or affordable option for beginning their postsecondary education. This process of beginning one's education in a community college then transferring to a university to complete a baccalaureate degree has become known as the "2+2" model. Effective transfer pathways between community colleges and universities are essential to the viability of the "2+2" model as a low-cost degree option.

Findings

Role of Two-Year Institutions

Public two-year institutions have become increasingly important in recent years. Texas is among 9 states where community college enrollment exceeds 50% of total higher education enrollment. These institutions play a particularly role in educating the state's growing minority population as Texas is among six states where the percentage of Hispanics and African Americans enrolled at community colleges exceeds 50%. Additionally, the percentage of first-time college students enrolled at community colleges is over 64%.

Cost is one factor that increasingly attracts students to public two-year institutions. The statewide average tuition and fees for fifteen semester credit hours (SCH) in Fall 2011 was \$1,208, compared to an average of \$3,695 at public universities.²²

Progression to University and Completion

In 2011, over half of all students enrolled in public universities in Texas earned some credit from a community or technical college prior to matriculating. Of these students, approximately 44% earned over thirty semester credit hours prior to transfer. Overall, more than three-quarters of all baccalaureate graduates earn credits at a two-year institution.

While a large number of students make the leap from community college to a university each year, most students who begin their studies at a community college never transition to a university. Of the 105,401 students who were first-time enrollees at community colleges in the fall of 2005, only 29,250, or 27.8% of the cohort, transferred to a university by 2011. Under 9% of this 2005 cohort completed a two-year degree or attained a certificate, while over 63% are considered non-completers. Transfer rates, however, are affected by the proportion of students attending two-year institutions to obtain job skills, enrichment, or workforce certifications. These students often have no intent to pursue a baccalaureate degree.

For those community college students who intend to pursue a four-year degree, over half graduate within two years after transfer. First-time transfer students who had completed at least 30 SCH prior to enrolling in a university in the fall of 2007 completed their baccalaureate degree by 2011 at statewide average rate of 57.7%. The transfer graduation rate for this cohort varied

significantly by ethnicity. African American students who had earned between 60 and 72 SCH prior to transfer completed their degree by 2011 at a rate of 47%, compared to 67% for white students and 62% for Hispanic students with the same amount of credits accrued.

Challenges in Transferability

Inefficient transfer policy diminishes productivity in higher education. The absence of curricular alignment between institutions often creates complications for institutions and students alike. The student may need to repeat courses, resulting in extra time spent at an institution, jeopardizing successful completion of a bachelor's degree. Moreover, a lack of course coordination can discourage students from transferring at all.²³

In 2003, legislation directed the Texas Higher Education Coordinating Board to facilitate coordination between community colleges and universities by promoting consistency in course designation and identification. The result was the creation of the Texas Common Course Numbering System (TCCNS) as the approved common course numbering system for lower-division courses; however, the TCCNS has limited effectiveness as institutions that participate in the system are not required to accept transfer credit for all courses that are included in the system. Additionally, because the TCCNS is only updated biannually, course information may be incorrect.²⁴

Articulation Agreements

In order to ensure credit will migrate with greater success, many community colleges and four-year universities enter into articulation agreements; formal written agreements that identify courses that are acceptable toward specific course requirements at a "receiving" institution. The committee heard testimony on partnerships between several institutions.

Texas State University-San Marcos, for example, described two initiatives: Course Equivalency Guides and Transfer Planning Guides. The guides are designed to provide specificity and clarity to the prospective transfer student as they align the courses they want to transfer to Texas State with the approved Texas State equivalents. More than 60 two-year college course Equivalency Guides are available online. The guides include are reviewed by department faculty and referred back to the Admissions Office as transferrable. Furthermore, Texas State has posted over 1,300 Transfer Planning Guides, which identify the aligned and equivalent courses for baccalaureate degrees by major by catalog year for students from the 20 two-year colleges in Texas that transfer the most students to Texas State.²⁵

Some institutions create partnerships that go beyond course alignment. Lone Star College System provided testimony on their University Center Model. Lone Star College-University Center at Montgomery and Lone Star College-University Center at University Park are partnerships of universities and the colleges of the Lone Star College System providing bachelor's degrees, master's degrees and continuing professional studies to the Lone Star College System service area. The partnerships provide seamless credit transfer programs, collaborative

governance, shared facilities, interactive telecommunications, and student services. University partners include Sam Houston State University, Texas A&M University, Texas Southern University, University of Houston, and University of Houston-Downtown.²⁶

Financial Aid

The increased costs of a four-year college can be a significant impediment to transfer. Students who seek to transfer from a two-year to four-year institution often find that less institutional aid is available to them because such funds are often targeted at recruiting first-time, full-time students. Adequate financial resources are an important factor when a student is deciding whether or not to enroll in or continue in higher education.²⁷

Texas Tech University has acknowledged the importance of financial aid in successful transfer. The university provided testimony on the different merit transfer scholarship programs it utilizes to assist transfer students, including a specific program for STEM majors. The TTU AIM High Grant for transfer students with need provides initial grants of \$5,000 for Spring 2012, and then grants of \$2,500 for Summer 2012, Fall 2012, and Spring 2013. The Proven Achievers Scholarship guarantees \$6,500 for two years for all entering community college transfers who have a 3.5 transfer GPA and at least 60 transferrable hours, while the Presidential Transfer Scholarship guarantees \$4,500 for two years for all community college transfers who have at least a 3.0 transfer GPA and at least 30 transferable hours. For the 2011-12 academic year, Texas Tech provided 1,332 awards totaling \$3,479,224 to transfer students.²⁸

Texas Woman's University also testified on its efforts to provide financial aid funds to meet the needs of transfer students. Focused scholarships and aid programs at TWU serve to encourage transfer to the institution. During academic year 2010-2011, TWU awarded \$51,170,965 to transfer students. Funds were distributed to 4,279 students with an average award of \$11,959. The institution recognizes the continued availability of funds to transfer students in good standing positively impacts persistence and shortens time to degree.²⁹

Transfer Compacts

Since 2009, the Lumina Foundation for Education has supported the THECB in its work to enhance the transfer of students. The focus of activity has been on disciplines identified as critical needs of the state. For these disciplines, faculty-led Tuning Councils coordinated by the THECB, with funding support from Lumina Foundation for Education, have developed voluntary transfer compacts through the "tuning process." This process identifies a set of lower-division courses, up to the level of an associate's degree, that would provide the necessary academic background to integrate a student seamlessly into participating programs at four-year institutions. Critical to this effort is development of common catalog descriptions and defined student learning outcomes for courses that are a part of the compacts.

The tuning efforts to this point have resulted in statewide voluntary articulation compacts for Mechanical Engineering, Civil Engineering, Electrical Engineering, and Industrial Engineering.

Similar compacts are under development for Chemical Engineering, Biomedical Engineering, Chemistry, Biology, Mathematics, Business, Computer Information Systems, and Management Information Systems.³⁰

Recent Legislation

In the 82nd legislative session, the legislature passed House Bill 3025, which enacted measures designed to improve transfer pathways. The bill requires students enrolled in an associate or bachelor's degree program at a public institution of higher education to file a degree plan no later than the end of the second regular semester or term immediately following the semester or term in which the student earned a cumulative total of 45 or more semester credit hours. Research has shown that students are more likely to succeed if they are properly guided with early and consistent advising and a clear degree plan to follow.³¹

The legislation also established a reverse articulation program for the awarding of an Associate degree. Students who transferred from, or previously attended, a lower-division institution of higher education, earned at least 30 semester credit hours for coursework at the lower-division institution, and have completed 90 semester credit hours while enrolled at a university, will be contacted by their university to provide permission to send the lower-division institution the student's transcript. The lower-division institution will evaluate the transcript to see if the student is eligible to receive an Associate degree. Recognition of the work transfer students have already completed is important to the student and emphasizes the positive role that community colleges play in improving student outcomes at four-year institutions.

The 82nd Texas Legislature also passed the Higher Education Outcomes-Based Funding Act, or House Bill 9. Currently, state funding is allocated among institutions only on the basis of student enrollment trends. House Bill 9 directs the THECB to propose a funding model that allocates resources to institutions based on both enrollment trends and student success outcomes. For public junior colleges, the transfer of students to a four-year college or university after successful completion of at least 15 SCH at the institution is one outcome to be included in the proposed funding model.

Potential Improvements

The committee heard testimony from Dr. Jimmy Clarke, Director of the Productivity Strategy Labs for HCM Strategists, a public policy and advocacy consulting firm dedicated to advancing innovation and education. Dr. Clarke testified that transfer policy must be clear and simple and promote the most affordable way for a student to earn credentials and graduate on time. Furthermore, Dr. Clarke recommended that transfer metrics be included under any potential system of performance funding. This would include crediting both the sending and receiving institutions for successful transfer as well as rewarding the completion of low-income students, who are most likely to start in community colleges and need to transfer.

The THECB provided testimony on recent revisions to the Texas Core Curriculum intended to improve consistency in transfer practices. Beginning in Fall 2014, the core will be comprised of six core objectives with 3 to 4 core objectives mapped to each course. The core will also be limited to 42 SCH.

The THECB also recommended creating statewide consistency in Associate degree credit requirements to reduce student confusion. Currently, a wide disparity exists between semester credit hours required for similar programs across community colleges. Legislation requiring a cap of 60 SCH for Associates' degrees unless accreditation or licensure requirements demand more.

Transfer pathways could be strengthened by improving the effectiveness of the Texas Common Course Numbering System. In 2011, the Legislative Budget Board concluded that requiring courses included in the system to be transferable to institutions of higher education would reduce the number of credits lost through transfer and improve a transferring student's success in earning a baccalaureate degree. To improve the TCCNS, the LBB recommended a requirement that institutions annually provide the THECB with information on courses added or deleted to the institution's inventory, if the course is included in the TCCNS.³² Greater information on courses acceptable for transfer will assist students in making informed decisions.

Recommendations

1. Include success outcomes related to transfer pathways in potential performance funding
2. Improve Common Course Numbering by routinely updating the courses included in each institution's inventory and by guaranteeing the transfer of all courses in the Texas Common Course Numbering System if the receiving institution offers the equivalent course.
3. Limit number of semester credit hours needed to complete Associate's Degree, except where demanded by accreditation or licensure requirements.
4. Encourage all General Academic Teaching Institutions to enter into transfer compacts where applicable.

CHARGE 3

Evaluate proposals for the state's next master plan for higher education beyond 2015, including a review of various metrics to measure successful outcomes in higher education.

Background

In 2001, the 77th Texas Legislature passed Senate Bill 573, directing the Texas Higher Education Coordinating Board (THECB) to initiate its proposal plan called Closing the Gaps by 2015 (CTG). The plan, which aims to close educational gaps within Texas as well as between Texas and other states, has four goals: to close the gaps in student participation, student success, excellence, and research. In 2005, various adjustments to the plan were made in response to new population projections and accelerated progress toward some of the goals. In 2010, the THECB released an Accelerated Action Plan for Closing the Gaps to focus resources toward achieving targets in lagging areas. The updated plan heightens the agency's focus areas where Texas is behind its 2015 targets and highlights strategies that increase the pace of Texas' gains in these critical areas. With the target end date of Closing the Gaps approaching, the state must begin to evaluate plans for the future of the state's higher education system beyond 2015.

Findings

Progress of Closing the Gaps

The THECB reports 544,800 new enrollments at public and independent colleges and universities since 2000, increasing total enrollment to over 1.5 million in 2012. Texas remains on track to meet the statewide participation goal; however, enrollment growth has slowed. Over the next three years, Texas must add approximately 28,000 students per year in order to reach the 2015 CTG goal of 630,000 new enrollments since 2000.

The state's participation rate has improved since 2000 but remains lower than other larger states. With 6.1% of the population participating in higher education, Texas ranks eighth. California leads the nation at 7.3%, followed by Illinois (7.1%), Michigan (7.1%), New York (6.7%), Ohio (6.5%), Pennsylvania (6.3%), and North Carolina (6.1%).

Nonetheless, Texas is well on track to meet the plan's success goal. In 2012, institutions in the state conferred 208,500 undergraduate degrees and certificates; nearing the 2015 goal of 210,000. Importantly, underrepresented groups at public institutions have experienced the greatest percent increase in undergraduate awards. Since the plan's inception, awards to African American students have increased 92.1% and awards to Hispanic students have increased 134.3%.³³

While progress has been made, Texas must continue to improve. By 2020, a projected 59% of all jobs in Texas will require postsecondary education;³⁴ however, only 33.7% of the state's working-age population (25-64) held at least an associate degree in 2010.³⁵ To prevent a mismatch between future jobs and workforce skill, the state will need to produce all types of postsecondary credentials with equal emphasis on academic and technical instruction.

Limitations of Closing the Gaps

Dr. Aims McGuinness, senior associate with the National Center for Higher Education Management Systems (NCHEMS), a private nonprofit policy center in Boulder, Colorado, provided testimony on areas where CTG falls short. Dr. McGuinness noted that CTG goals were set in relationship to average of selected states, not best performance. Additionally, progress in the plan is primarily measured against Texas, not in relationship to Texas competitors in a global economy. Furthermore, the plan did not include strategies for developing and financing capacity needed to achieve goals.³⁶

Measuring Successful Outcomes

Effective statewide planning requires clear objectives measured by sound data. Regent Elaine Mendoza of the Texas A&M University System provided testimony on her system's efforts to develop an accountability and management system for measuring results, quality and overall cost efficiency in educating students. The system, EmpowerU, provides metrics on current student enrollment, graduation rates, degrees awarded and financial data for all universities within the Texas A&M System as well as data focused on the quality of learning outcomes. EmpowerU and similar accountability dashboards being implemented by other systems are valuable tools for both setting and maintaining statewide goals.

A measurement tool, however, is only as useful as the metrics being observed. For decades, the gold standard by which universities have been measured has been the graduation rate. Critics contend this metric has limited effectiveness as it only measures the success of first-time, full-time students and does not reflect the effectiveness of a university in taking all students through to graduation after entering. The American Association of State Colleges and Universities (AASCU) for three years has attempted to garner the attention of university administrators and legislators throughout the nation to use an index known as graduation efficiency as a method of evaluating the performance of universities. The rates is calculated as follows:

$$\frac{\text{Associate's Degrees} \times 2 + \text{Bachelor's Degrees} \times 4}{\text{Full-Time Equivalent Enrollment}}$$

Proponents of the graduation efficiency measure contend it accurately reflects the total number of degrees awarded, without the need to explain the deficiencies of the graduation rate, which omits transfer students, part-time students, and mid-year or spring entrants.³⁷

When measuring success at institutions, the mission of the university and the goals of its students must be taken into consideration. Texas State Technical College, for example, has a mission almost exclusively based on workforce training and its students enroll with an industry or job focus. The different objectives behind a student's coursework are not taken into account when measuring completions. In his testimony, TSTC Chancellor Mike Resser cited the example of a student whose sole intent is a new computer skill but may be captured as a non-completer or failure even though that student may have added value to their life. Chancellor Resser testified that performance measurements which focus on job placement are right and, in many respects, operationally facilitating for TSTC.³⁸

Beyond Closing the Gaps

The THECB provided testimony to the committee on its "2030 Leadership Vision for Texas," a plan which envisions Texas post-secondary education in 2030 as well-aligned and cost-effective, providing students with clear pathways to completion. Under this vision, at least 60 percent of Texans will have a postsecondary credential, certificate or degree of value in the workplace by 2030.³⁹ In order to meet this overall goal, the THECB anticipates a plan which will focus on the following:

- Placing Texas among top 10 states in educational attainment
- Expanding excellence
- Adding at least two more National Research Universities
- Measuring learning outcomes across all fields
- Increase research
- Continuing to implement cultural change through lean continuous improvement to improve both cost efficiency and productivity
- Aligning workforce development with higher education

In order to achieve a 60 percent credentialed population, Dr. McGuinness advised aligning policy with goals set from a global perspective, measuring the competitiveness of the Texas workforce in relationship to best performing countries and states. Dr. McGuinness stated that reaching the goal will also require significant improvement in high school completion and raising the level of college-going population to the levels of the best performing states.⁴⁰

The THECB will begin planning and building consensus around the post-CTG Vision in the next year in collaboration with higher education, business, and community leaders. This process includes reviewing CTG successes and weaknesses and pursuing strategies focused on student success and excellence. The new strategic plan will launch in 2015 and refreshed in 2018 and likely again in 2023.⁴¹

Recommendations

1. Structure goals within the next statewide plan based on continued growth and annual progress in key areas of success and participation.
2. Establish goals within the next statewide plan which measure progress in Texas against its global competitors.

CHARGE 4

Evaluate the funding, performance, and administration of the state's adult basic education programs.

Background

Adult Basic Education (ABE) in Texas is currently funded primarily through a \$106.5 million federal grant supplemented with a state match of \$18.8 million in General Revenue (GR) and \$7.9 million in in-kind services. GR and in-kind funding amounts are combined to meet the 25 percent match required to receive federal grant funds. Temporary Assistance for Needy Families (TANF) funds are also used to fund adult education services for eligible populations. Services provided include instruction in basic literacy, English language instruction for adults with limited English proficiency, basic academic and functional context skills, secondary-level instruction, and civics education.

Findings

Administration of Adult Basic Education in Texas

The Texas Education Agency awards funds to local providers according to a base allocation determined by the provider's funding in the previous year. Adult Basic Education grants provide comprehensive English literacy services with basic instruction in reading, writing, and mathematics to adult learners. Base funding is increased contingent on the ability of the provider to exceed set performance targets. There are a total of 33 Federal and State performance measures ranging from demonstrated progress in: Beginning to Basic Literacy; Beginning to Basic ESL; TABE Reading, Language Arts, and Mathematics; and goal oriented outcomes including obtaining GED and employment. Federal TANF funds are directed to programs serving adult students eligible for those programs due to their income relative to federally set poverty levels.

The Harris County Department of Education (HCDOE) administers the Texas ABE program through Texas LEARNS. Texas LEARNS provides nondiscretionary grant management functions, program assistance and other statewide support services to Texas Adult Education and Family Literacy Providers. The Texas Education Agency is responsible for all discretionary, policy, and monitoring functions of the \$136.9 million in monies appropriated for fiscal years 2012-13, approximately \$2.2 million funds the contract with HCDOE to administer the ABE program. This amount includes both allowable administrative expenditures and the coordination of state leadership activities. Administrative services provided by HCDOE include: technical assistance; ensuring local programs meet programming requirements and minimum performance standards; development of program improvement plans for programs failing to meet the minimum performance standards; and, distribution of the approved adult literacy assessment adopted by Texas. The Texas Higher Education Coordinating Board (THECB) awards competitive grants to community colleges and public technical institutions to increase participation in adult basic education; these awards will total approximately \$4.0 million during fiscal years 2012-13. Nearly half of the providers of ABE are Community Colleges.

Characteristics of Adult Learners

In 2012, two million students accessed ABE services across the nation. According to the Office of Vocational and Adult Education, approximately 45 percent of the students enrolled in ABE participate in English literacy programs, 41 percent receive eighth-grade reading and math instruction, and 14 percent receive high school level instruction. It is estimated that 44 percent of ABE students nationally are Hispanic, 26 percent are Caucasian, 20 percent are African American, and eight percent are Asian. Most adult learners share common characteristics: they work full time and have extensive family responsibilities that compete for their time; they do not have strong academic backgrounds; they have been out of school for an extended period of time; and, they want to accelerate their learning. The most recent assessment of adults' reading ability in the U.S., the National Assessment of Adult Literacy (NAAL), found that 12-14 percent of adults, about 27-31 million individuals, were "below basic" readers who are unable to read at a high school level.

2011 Legislative Initiatives for ABE

The 2011 General Appropriations Act requires THECB to collaborate with the Texas Education Agency (TEA) and the Texas Workforce Commission (TWC) to develop and implement a coordinated long-range action plan to align ABE and postsecondary education efforts.⁴² The purpose of the action plan is to significantly increase the number of basic skills ABE students who enroll and persist to completion in postsecondary education and workforce training programs. The report was completed in January 2012 and is available on the THECB website.⁴³

House Bill 3468 requires the TEA, in consultation with the THECB, to review the required adult education standardized assessment mechanism and recommend necessary changes to align it with Texas Success Initiative assessments to allow for proper placement of a student in an adult basic education course or to provide the student with proper developmental or English as a second language coursework.

ABE Issues in Texas

In calendar year 2010, 3.8 million Texans qualified for adult basic education services, and projections indicate that by calendar year 2040 7.9 million Texans will qualify. Of the 3.8 million eligible in calendar year 2010, 1.8 million were Limited English Proficient (LEP), and projections indicate that the LEP population will increase to 3.4 million calendar year 2040. During the 2010-11 reporting year, fewer than three percent of Texans eligible for adult basic education services accessed services from one of the federally funded ABE providers.

State funding for ABE continues to be a concern for program stakeholders. Currently, the state of Texas has a 25/75 state match to federal funds. This match is low when compared with the other four most populated states: California, 88/22; New York, 72/28; North Carolina, 87/13; and, Illinois, 64/36. If Texas were to increase its GR funding to ABE programs, no additional federal funds would be available, increasing the state's share of funding above the current 25/75 ratio.

The administration of ABE through Texas LEARNS and the Harris County Department of Education has recently been examined and some program stakeholders believe ABE would be better served if administered through the Texas Higher Education Coordinating Board. THECB has not expressed any direct interest in administering the program and has left this decision to the Legislature.

In its review of the TEA, the Sunset Commission staff recommended transferring responsibility for adult education from TEA to the Texas Workforce Commission. Staff concluded that transferring TEA's adult education program to the TWC would help improve coordination and better position the State to ensure that adult Texans have the basic education and skills necessary to succeed in the workplace and obtain jobs to support their families.⁴⁴

Recommendations

1. Evaluate proposals to transfer responsibility for adult basic education to either the Texas Higher Education Coordinating board or the Texas Workforce Commission.

CHARGE 5

Examine the impact of research at state universities on the state economy. Identify ways to increase the partnership opportunities between private business and research institutions to enhance the commercialization of newly discovered technology.

Background

The higher education system in Texas benefits the state economy in a variety of ways. Universities and colleges produce individuals who earn more and are more likely than others to be employed; resulting in increased tax revenues from college graduates and less spending on income support programs.⁴⁵ In addition to cultivating an educated workforce and informed citizenry, higher education institutions also conduct research that often leads to groundbreaking discoveries. While the creation of new knowledge has value in its own right, innovation can also produce significant economic value for both the institutions and the wider community.

Findings

Impact of Research

In Fiscal Year 2010, research expenditures at public institutions totaled over \$3.5 billion.⁴⁶ These expenditures translate to significant economic activity as it is estimated that every \$10 million in annual research expenditures can create 334 new jobs, add \$8.6 million in wages to the regional economy, draw \$500,000 in additional state revenue, including tax revenue, and generate \$13.5 million in local sales - a 226 percent return on investment.⁴⁷

Public universities and health-related institutions use a variety of methods to document and protect intellectual property and initiate transfer of new knowledge to the marketplace. In many instances, the development and commercialization of intellectual property is frequently accomplished through licensing agreements between private companies and higher education institutions. The resulting intellectual property revenues at public institutions increased from \$44,689,393 in Fiscal Year 2009 to \$53,803,574 in Fiscal Year 2010.⁴⁸

Intellectual property and the revenue generated by the resulting patents can work as an economic engine for Texas, creating new products and companies.⁴⁹ Dr. James W. McGinity, a pharmacy professor at The University of Texas, provided testimony on how research efforts at the UT College of Pharmacy has helped launch companies such as PharmaForm, Enavail and DisperSol Technologies. Dr. McGinity also described his work developing a sustained release form of the prescription medication Oxycontin, the first such abuse deterrent form of a medication approved by the Food and Drug Administration. The resulting patent produces royalties of approximately \$11 million a year for the university.⁵⁰

The value of commercialization activity and partnerships with industry goes beyond income received in royalties. Brett Cornwell, Associate Vice Chancellor for Commercialization at Texas A&M University, explained to the committee that universities often receive significant research dollars as part of agreements with industry. For example, a \$100,000 royalty agreement may coincide with a \$10 million commitment to research.⁵¹

Enhancing Commercialization

Texas public universities and health related institutions have seen significant growth in both research expenditures and revenue from intellectual property over the past decade; however, the state is not yet recognized as a top state for commercialization.

In order to enhance commercialization, a culture of commercialization should be promoted at higher education institutions. Vice Chancellor Cornwell recommended to the committee that commercialization be seen as an expectation within a university and central to its mission. Texas A&M University, for example, includes the goal of commercialization in the university's mission statement and has a commercialization component in the tenure review process for faculty.⁵²

Dr. Denise M. Trauth, President of Texas State University-San Marcos, testified on her institution's commitment to commercialization. President Trauth described a new doctoral program in material science engineering and commercialization. As the name suggests, commercialization is an integral part of the curriculum. Furthermore, the university has opened a new research park and business incubator to support the program and allow researchers to collaborate with small businesses and startups.⁵³

Research space like the new center in San Marcos can be crucial in bringing new inventions to market. In his testimony, Dr. Dan Peterson, CEO of Alafair Biosciences, Inc., a company that has partnered with The University of Texas to commercialize new pharmaceuticals, described the "Valley of Death," the period of time from when a startup firm receives an initial capital contribution to when it begins generating revenues. It is during this period when expenses, such as legal and consulting costs, rise sharply. In order to overcome this valley, researchers require enough capital to survive multiple rounds of dilution.⁵⁴ Dr. McGinity recommended that the state continue to fund innovative programs such as the Emerging Technology Fund which provides critical early stage funding. Other recommendations for the committee included providing additional seed money to support faculty generated startups and building more incubator and lab space in Central Texas.

Recommendations

1. Continue state support of research through programs such as the Texas Research Incentive Program, the National Research University Fund, and the Emerging Technology Fund.

CHARGE 6

Monitor the agencies and programs under the committee's jurisdiction and the implementation of relevant legislation passed by the 82nd Legislature.

Background

Pursuant to House Rule 3, Section 17 (82nd Legislature), the Committee has jurisdiction over the colleges and universities of the State of Texas as well as the following state agencies:

- Texas Engineering Experiment Station
- Texas Engineering Extension Service
- Texas Higher Education Coordinating Board
- Texas Guaranteed Student Loan Corporation (TG)
- State Medical Education Board
- Prepaid Higher Education Tuition Board
- Texas Transportation Institute

Findings

Agency Updates

Texas A&M University System Agencies

The Texas A&M University System's seven state agencies, including the three agencies under this committee's jurisdiction, were officially renamed by the Texas A&M University System Board of Regents at their August 2, 2012 meeting. The agencies will now be referred to in the following manner:

- Texas Engineering Experiment Station is changed to Texas A&M Engineering Experiment Station (TEES),
- Texas Engineering Extension Service is changed to Texas A&M Engineering Extension Service (TEEX),
- Texas Transportation Institute is changed to Texas A&M Transportation Institute (TTI)

The stated purpose for this change is to realize and maximize the benefits of the tremendous shared equity in the Texas A&M name and the respective agency names. The Texas A&M University System's main goal is to create stronger agency brands for the future. Per Sec. 86.23, Texas Education Code, the Texas A&M Board of Regents may change the name of any agency or service under the control and management of the board by resolution. The system reports no changes in lines of authority or reporting relationships. New logos will be developed to represent the name change, but the system has declared that all changes will be implemented in the most efficient and effective manner possible to conserve agency resources.

Texas Higher Education Coordinating Board

The mission and performance of the Texas Higher Education Coordinating Board are currently being reviewed by the Legislature as required under the Texas Sunset Act. The Act provides that the Sunset Commission, composed of legislators and public members, periodically evaluate a

state agency to determine if the agency is still needed, and what improvements are needed to ensure that state funds are well spent.

The Sunset Commission identified key areas of needed improvement within the Coordinating Board, including increasing stakeholder input in its decision making process and tightening its internal audit program. Ultimately, the Commission recommended that the Coordinating Board continue to exist for twelve years, citing a continuing need to coordinate efforts between institutions of higher education.⁵⁵ The Texas Legislature will have final say on whether the agency continues to operate into the future.

Significant Legislation

HB 9 by Branch

HB 9, known as The Higher Education Outcomes-Based Funding Act, requires the Coordinating Board to recommend to the Legislature student success-based funding formulas that are aligned with the state's education goals and economic development needs. In accordance with the bill, the Coordinating Board adopted formula recommendations for the 2014-2015 biennium which incorporate measures of student success in allocating state funding. The adopted proposal originated from the work of Formula Advisory Committees (FACs), composed of institutional representatives from Texas public institutions of higher education. Per HB 9, both the Formula Advisory Committees for universities and for community and technical colleges evaluated numerous options for basing funding on student outcomes, and each was able to come to consensus on a proposal to modify funding formulas to provide incentives to increase student success.⁵⁶

SB 28 by Zaffirini

SB 28, known as the TEXAS Grant College Readiness Reform Act, requires general academic institutions of higher education, beginning with the 2013-2014 academic year, to give highest priority for a TEXAS Grant to students with the lowest Expected Family Contribution (EFC) of \$4,000 or less and achieve standards in any two of the following four categories:

- Graduate with 12 hours of HB 1-mandated college credit programs (i.e. dual credit), the Distinguished Achievement Program (DAP), or the International Baccalaureate Program (IB);
- Graduate with at least a B average (3.0 on 4.0 scale) or rank top 1/3 of high school class;
- Complete a math course beyond Algebra II; or
- Meet Texas Success Initiative requirements or be exempt.

The priority model will only apply to first-time entering students. Remaining initial TEXAS Grant funds at each institution shall be used to serve students that meet the minimum requirements of the program.

After implementation in 2013, the Coordinating Board will report to the Legislature the number of students qualifying for initial year awards given through the priority model.

HB 1000 by Branch

HB 1000 provides a methodology for the distribution of funds from the National Research University Fund (NRUF) to emerging research universities. The bill requires the Coordinating Board to certify annually verified information relating to criteria to be used in determining the eligibility of institutions of higher education to receive distributions of monies from the NRUF. Reports on institutional eligibility are due to the comptroller and Legislature as soon as practicable in each state fiscal year.

Based on data from the seven emerging research universities, the Coordinating Board concluded Texas Tech University and University of Houston are eligible to receive distributions from NRUF.⁵⁷ The state auditor conducted a review, required under the bill, which confirmed that both Texas Tech University and the University of Houston had met the state's requirements to gain access to the National Research University Fund. Allocations for Fiscal Year 2013 will be determined by the Comptroller in accordance with bill.

Developmental Education: HB 1244 by Castro, HB 3468 by Patrick, SB 162 by Shapiro

The need for improving developmental education delivery resulted in the passage of HB 1244, HB 3468, and SB 162. The Coordinating Board established the Developmental Education Advisory Committee to engage institutional faculty and staff in the implementation of the legislation. The advisory committee is charged with advising agency staff on addressing the legislative requirements, including evaluating developmental education programs statewide, providing feedback on related rule revisions, and working closely with national assessment experts to move Texas toward adopting a diagnostic Texas Success Initiative (TSI) assessment or assessments for satisfying college readiness. Beginning in the 2013-2014 academic year, the TSI assessment or assessments will be aligned with the College and Career Readiness Standards and include components for developmental education and adult basic education placement and diagnostics for underprepared students. The assessment is a key aspect of the Success Initiative to improving advising protocols for counselors and faculty as they consider the best combination of interventions, including concurrent, non-course based, and technology-based options that promotes acceleration, persistence, and success.⁵⁸

HB 2910 by Branch

HB 2910 authorized the Coordinating Board, with institutions of higher education, to enter into agreements with nonprofit organizations to help identify and implement methods for increasing degree completion rates. Additionally, the bill established the Texas Science, Technology, Engineering, and Mathematics (T-STEM) Challenge Scholarship Program. This program would provide initial scholarships to community college students who graduated from high school with at least a 3.0 GPA in math and science courses, are enrolled in a STEM program at an eligible

institution, and have agreed to work no more than 15 hours a week for a business participating in the STEM program.

In July 2011, the Texas Guaranteed Student Loan Corporation pledged \$25 million over two years to help fund the program. The Coordinating Board then approved rules in January 2012 to structure and administer the scholarships.

HB 3025 by Branch

HB 3025 implements cost efficiency recommendations designed to help facilitate timely degree completion by requiring students to file a degree plan not later than earning 45 semester credit hours and requiring institutions to send transcripts of eligible transfer students back to the lower division institution for the awarding of an Associate's degree, called "reverse transfer." Multiple institutions, including Texas Woman's University and Lone Star College System, have entered into reverse articulation agreements with partnering institutions. Degree plan requirements became effective for undergraduate students who enrolled for the first time in a public institution for the 2012 fall semester.

Student Loan Capacity: SB 1799 & SJR 50 by West

SJR 50 and its enabling legislation, SB 1799, were passed in order to increase the Coordinating Board's College Access Loans bonding capacity to meet expected loan demand. These loans are competitive and offer the lowest rates in the country, which were 5.25% for fall 2011. The constitutional amendment was submitted to the voters at the November 8, 2011 General Election as Proposition 3. The ballot language read: "The constitutional amendment providing for the issuance of general obligation bonds of the State of Texas to finance educational loans to students." The measure was approved with 54.5% of the vote.

SUPPLEMENTAL CHARGE

Study and make recommendations for significantly improving the state's manufacturing capability.

Background

In addition to the six study charges issued to the Committee; Speaker Joe Straus also asked all substantive committees to study and make recommendations for significantly improving the state's manufacturing capability. This charge is of particular relevance to the Committee on Higher Education as the state's postsecondary education system is charged, among other things, with preparing the next generation of Texans to meet the state's workforce needs. The role of higher education will become increasingly important to the state's manufacturing capability as it is estimated that 58% of all manufacturing jobs will require postsecondary education by 2018.⁵⁹

Findings

The Committee heard testimony on ways to achieve increased coordination in education and workforce training programs while also looking at certification requirements and what the state needs to do to increase the number of Texas students receiving certifications.

Mike Reeser, Chancellor at Texas State Technical Colleges, explained to the committee that for most workforce needs, the infrastructure and programs are in place; however, Texas is not producing the right mix of the right kind of graduates. Chancellor Reeser pointed to a study by the Bureau of Labor Statistics which found that over 17 million graduates with bachelor's degrees are underemployed in America.⁶⁰ To solve this problem, Chancellor Reeser recommended recasting policy to recognize that post-secondary education in a technical or vocational field is a valuable alternative to a four-year degree in providing many Texans with good jobs.

Dr. Millicent Valek, President at Brazosport College, testified that the state needs to promote the benefits of receiving a technical degree as it can provide a career not just a job. President Valek described the work Brazosport College does with Dow Chemical to develop customized curriculum aimed at filling highly-skilled technical jobs.⁶¹

Dr. Bruce Leslie, Chancellor of Alamo Colleges described his institutions' efforts to meet the educational needs of the workforce. Alamo Colleges in partnership with the City of San Antonio, 17 school districts, an industry established the Alamo Area Academies to create "talent pipelines" for the region's driver industries including manufacturing. These academies provide two-year training and internship programs designed to give participating high school students a seamless transition to college or the work force. Chancellor Leslie recommended that the state provide funding to support community college career and technology dual credit programs like the Academies that create high-skill employment opportunities. The Chancellor also recommended that the state assist with marketing efforts to help change the image of manufacturing to reflect the nature of 21st century advanced manufacturing jobs.⁶²

Recommendations

1. Include greater information on the importance and benefits of high-skilled technical professions as part of the state's Generation Texas campaign.
2. Recognize the importance of Industry Certifications as a positive outcome in the Coordinating Board's Accountability System

APPENDIX A

Attached Statement

TEXAS HOUSE OF REPRESENTATIVES



ROBERTO R. ALONZO
DISTRICT 104

January 24, 2013

The Honorable Dan Branch, Chair
Higher Education Committee
Texas House of Representatives
P.O. Box 2910 - Capitol Station
Austin, TX 78768-2910

Dear Chairman Branch:

Relative to your e-mail correspondence and report dated January 11, 2013, inviting members of the House Higher Education Committee to review your "final draft" report of recommendations for the 83rd Legislature and offer any suggestions for changes, I would like to submit the attached list for your perusal and consideration.

In the meantime, if I can ever be of any service to you or your staff as you get ready to finalize the report please feel free to contact me personally through either one of my legislative offices in Dallas or Austin at the telephone numbers listed below this letterhead, or on my personal cell phone (214-325-7429).

Sincerely,

A handwritten signature in black ink that reads "Roberto R. Alonzo".

Roberto R. Alonzo
Texas State Representative
District 104 - Dallas

RRA/jrb

Attachment

List of
Interim Report Recommendations By The
House Higher Education Committee
For the 83rd Texas Legislature

Suggestions Offered by
The Honorable Roberto R. Alonzo, Member
House Higher Education Committee

In an e-mail correspondence from Chief Committee Clerk, Justin Meador, dated January 11, 2013,

Chairwoman of the House Higher Education Committee Dan Branch asked all members of the committee to offer their suggestions *"with any questions, comments, or concerns,"* on the *"final draft"* of the report to be submitted to all members of the Texas Legislature, 83rd Regular Session. I offer my suggestions as outlined below under each of the nine charges that we examined during the interim:

Charge 1

Review the various research funding programs available to institutions of higher education. Analyze the effectiveness of each program and recommend whether state funding should be continued. Consider whether the investments made in these programs are attracting research projects to Texas and whether more emphasis should be placed on policies that attract outside research funding to Texas. Consider whether maintaining multiple programs dilutes the state's efforts to attract groundbreaking research to Texas.

Rep. Alonzo's Suggestions/Recommendations:

- A. Specifically under Charge 1, the report needs to place a little more emphasis on the fact that research funding needs to be distributed more equitably among all universities in Texas and not only to the current 3 flagship universities. This emphasis for funding is important for other institutions of higher education as well, particularly those currently seeking Tier I status, such as the University of North Texas, the University of Texas at San Antonio (UTSA), the University of Texas at Arlington (UTA), and the University of Texas at Dallas (UT-D), among others.

- B. It is important to avoid long drawn out debate over which Texas' universities deserve "top tier research" school status. That takes valuable time away from some of the most

pressing issues, such as lower tuition rates, increased financial programs, and more affordable/accessible opportunities for all students to attend college.

Charge 2

Review potential improvements to transfer pathways within the state's higher education system. Examine the impact of transferability on timely degree completion. Study and recommend strategies to improve the "2+2" model as a low cost degree option.

Rep. Alonzo's Suggestions/Recommendations:

- A. The Texas Higher Education Coordinating Board's *Closing the Gaps* initiative has a goal of awarding 210,000 post-secondary degrees and certificates every year by 2015; thus, boosting Texas to education levels of other states. Texas is running behind now by 34,000 degrees a year. As noted by the *Dallas Morning News* in its editorial of August 7, 2011: "*Creativity is needed to close the gaps.*"
- B. It is important that the Governor make student aid an emergency issue in 2013. That status would require legislators to deal with financial aid in the session's first 60 days. In previous meetings, for example, the legislature has put off funding for higher education until late in the session. College students were therefore left scrambling to figure out whether they would have any money for the next school year.
- C. As noted in the report, students are indeed flocking to 2-year colleges. According to a *Dallas Morning News* front page lead article, dated September 1, 2009: *Enrollment in the state's community colleges has climbed steadily for years—in fact, 70 percent of Texas students begin their college careers at a two-year campus.* Again, "creativity is needed" to ensure that those students who start their college careers at the community college level transfer to the university.
- D. The state needs to restore the 10 percent (approximately \$1 billion) that the 82nd Legislature cut to higher education.
- E. Many community/junior colleges support additional transfer pathways for students as they leave our junior colleges and continue their education with 4-year partner institutions, and 4-year universities in general. They support efforts to strengthen and promote more dual credit offerings. Additionally, feedback I have received from junior/community colleges in my district specifically, and the DFW/North Texas region in general, have expressed reservations about the implementation of momentum points. However, given the significant cuts in community college funding and the overall underfunding of the community college formula, the Dallas County Community College District (DCCCD), like so many other community college systems across the state, cannot support another 10 percent cut to their programs. This measure is not, by any means, a true incentive plan. And it certainly does not help in addressing the "*Closing the Gaps*" initiative, especially when we consider the fact that more students - particularly Latinos and other minorities - are choosing to start their post-secondary

education at the community college level, instead of at 4- year institutions, because of affordability and accessibility.

Charge 3

Evaluate proposals for the state's next master plan for higher education beyond 2015, including a review of various metrics to measure successful outcomes in higher education.

Rep. Alonzo's Suggestions/Recommendations:

- A. In order to increase student enrollment in higher education, it is imperative for the state as a whole that the Legislature focus on student funding. Why we may ask? Because of the enormous increases in the last 10 years in college tuition. Colleges and universities are becoming less and less affordable, especially among the state's neediest student population, particularly Latinos and African Americans. As Dr. Paredes has previously noted: *If the state doesn't graduate more disadvantaged students from college, Texas will lack the educated workforce that states such as California are working day and night to produce.* (**Dallas Morning News, July 30, 2008.**)
- B. The Texas Grant Program, which benefits primarily low-income students, should be reviewed and monitored more closely not only by the Committee on Higher Education but also the Coordinating Board, to make sure that eligibility criteria does not squeeze out low-income students from participating in this grant program. It is important to consider here that of 5 million plus students in Texas public schools, 60 percent are poor; and slightly over 50 percent are Latino.
- C. I think it is important that the report emphasize that given our proposed budget cuts as it relates to the state budget in general, but financial aid in particular, that any changes to assisting students will require careful and serious consideration. We must not make such drastic cuts to financial aid programs that it will impede our "*Closing the Gaps,*" efforts when it comes to affordability and accessibility of higher education for all students, particularly Latinos and other minorities that continue to lag behind their non-minority counterparts in enrollment, recruitment, and graduation rates. Since originally issued in October 2000, the "*Closing the Gaps,*" initiative continues to change, but at a much slower pace than many anticipated. It is apparent to many experts, that cuts to financial aid programs have impeded this effort.

Charge 4

Evaluate the funding, performance, and administration of the state's adult basic education programs. (Joint with the House Committee on Appropriations)

Rep. Alonzo's Suggestions/Recommendations:

- A. Without a doubt, many view Adult Basic Education (ABE) programs as a necessary component to the economic engine and prosperity of our society. Whether it's a four-year degree education, technical/career education, or training in a specialized area to obtain some type of certification, licensure, or employment, in today's constantly-changing, technological, global market, some type of skill is necessary for just about any job. However, when we start talking about preparing our children for life, immediately many out there start talking about vocational and technical education and who do they put in

those programs - mostly minority children. That tracking or stereotyping is a path in the wrong direction. And yes, all of us also hear the debate that a college education is not for everyone. That is setting low expectations for everyone. Instead, we should focus more of the attention on what organizations like IDRA (Intercultural Development Research Association) are doing. That is, we must want and insist that all our schools prepare all students to be ready for college/career so that they can decide themselves. Expectations must be set higher so that all students, and not just a few, have the opportunity and accessibility to a college education.

Charge 5

Examine the impact of research at state universities on the state economy. Identify ways to increase the partnership opportunities between private business and research institutions to enhance the commercialization of newly discovered technology. (Joint with the House Committee on Economic & Small Business Development)

Rep. Alonzo's Suggestions/Recommendations:

- A. Charge 5, page 30, the recommendation includes continuing support for research through the various state programs. Some institutions encourage the listing of the Texas Competitive Knowledge fund along with the others listed.

Charge 6

Monitor the agencies and programs under the committee's jurisdiction and the implementation of relevant legislation passed by the 82nd Legislature.

ENDNOTES

- ¹ Raymund Paredes, Ph.D., Commissioner, Texas Higher Education Coordinating Board. Testimony, 10-5-12
- ² Legislative Budget Board. Testimony, 10-5-12
- ³ Paredes. Testimony, 10-5-12
- ⁴ LBB, Testimony, 10-5-12
- ⁵ Stacey Silverman, Ph.D., Deputy Assistant Commissioner for Workforce, Academic Affairs and Research, Texas Higher Education Coordinating Board. Testimony, 10-5-12
- ⁶ Paredes. Testimony, 10-5-12
- ⁷ Legislative Budget Board (January 2012). *Fiscal Size Up 2012-13*
- ⁸ Texas Higher Education Coordinating Board (September 2012). *Overview: Research Funding in Texas*
- ⁹ Bill Gimson, Executive Director, Cancer Prevention & Research Institute of Texas. Testimony, 10-5-12
- ¹⁰ David Russell, Vice Provost & Dean of Basic Research at The University of Texas Southwestern Medical Center. Testimony, 10-5-12
- ¹¹ THECB, 2012
- ¹² LBB, Testimony, 10-5-12
- ¹³ Michael B. Mueller Testimony
- ¹⁴ Paredes, Testimony, 10-5-12
- ¹⁵ R. Bowen Loftin, Ph.D., President, Texas A&M University. Testimony, 10-5-12
- ¹⁶ William Powers, J.D., President, The University of Texas at Austin. Testimony, 10-5-12
- ¹⁷ Denise M. Trauth, Ph.D., President, Texas State University-San Marcos. Testimony, 10-5-12
- ¹⁸ David Daniel, Ph.D., President, The University of Texas at Dallas. Testimony, 10-5-12
- ¹⁹ Ricardo Romo, Ph.D., President, The University of Texas at San Antonio. Testimony, 10-5-12
- ²⁰ Renu Khator, Ph.D., President & Chancellor, University of Houston. Testimony, 10-5-12
- ²¹ Lawrence Schovanec, Ph.D., Interim President, Texas Tech University. Testimony, 10-5-12
- ²² Raymund Paredes, Ph.D., Commissioner, Texas Higher Education Coordinating Board. Testimony, 2-21-12
- ²³ Legislative Budget Board (2009). *Texas State Government Effectiveness and Efficiency*
- ²⁴ Legislative Budget Board (2011). *Texas State Government Effectiveness and Efficiency*
- ²⁵ Eugene Bourgeois, Ph.D., Provost & Vice President for Academic Affairs, Texas State University - San Marcos. Testimony, 2-21-12
- ²⁶ Richard Carpenter, Ph.D., Chancellor, Lone Star College System. Testimony, 2-21-12
- ²⁷ LBB, 2009
- ²⁸ Guy Bailey, Ph.D., President, Texas Tech University. Testimony 2-21-12
- ²⁹ Ann Stuart, Ph.D., Chancellor, Texas Woman's University. Testimony, 2-21-12
- ³⁰ James K. Nelson, Ph.D., Dean of Engineering & Computer Science, The University of Texas at Tyler. Testimony, 2-21-12
- ³¹ House Research Organization (2011). *Bill Analysis HB3025*
- ³² LBB, 2011
- ³³ Raymund Paredes, Commissioner, Texas Higher Education Coordinating Board. Testimony, 10-19-12
- ³⁴ Paredes. Testimony, 10-19-12
- ³⁵ Lumina Foundation (2012). *A Stronger Nation Through Higher Education*
- ³⁶ Aims McGuinness, Senior Associate, National Center for Higher Education Management Systems. Testimony, 10-19-12
- ³⁷ Jesse Rogers, President, Midwestern State University. Testimony, 10-19-12
- ³⁸ Mike Resser, Chancellor, Texas State Technical College System. Testimony, 10-19-12
- ³⁹ Fred Heldenfels, Chair, Texas Higher Education Coordinating Board. Testimony, 10-19-12
- ⁴⁰ McGuinness. Testimony, 10-19-12
- ⁴¹ Heldenfels. Testimony, 10-19-12
- ⁴² House Bill 1, Texas Legislature, 82nd Regular Session, THECB Rider 29, page III-51
- ⁴³ www.thecb.state.tx.us/download.cfm?downloadfile=3AD26B68-FE95-4F70-3447D3FFDF2285DF&type=download&typename=dinF...
- ⁴⁴ Texas Sunset Advisory Commission (2012). *Texas Education Agency Staff Report*
- ⁴⁵ The College Board (2010). *Education Pays 2010*
- ⁴⁶ Texas Higher Education Coordinating Board (2012). *Research Expenditures Summary: September 1, 2009 - August 31, 2010*
- ⁴⁷ House Research Organization (2009). Bill Analysis: CSHB51
- ⁴⁸ Texas Higher Education Coordinating Board (2011). *Technology Development and Transfer FY 2009 and FY*

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⁴⁹ G. Edward Powell; CEO, IPX. Testimony, 4-25-12

⁵⁰ James W. McGinity, Ph.D.; Professor, College of Pharmacy, University of Texas. Testimony, 4-25-12

⁵¹ Brett Cornwell, Associate Vice Chancellor for Commercialization, Texas A&M University. Testimony, 4-25-12

⁵² Cornwell. Testimony, 4-25-12

⁵³ Denise M. Trauth, Ph.D., President, Texas State University. Testimony, 4-25-12

⁵⁴ Dan Peterson, Ph.D., CEO, Alafair Biosciences, Inc. Testimony, 4-25-12

⁵⁵ Texas Sunset Commission (June 2012). *Texas Higher Education Coordinating Board Staff Report with Commission Decisions*

⁵⁶ Texas Higher Education Coordinating Board (April 2012). *Formula Funding Recommendations 2012*

⁵⁷ Texas Higher Education Coordinating Board (February 2012). *National Research University Fund Eligibility: A Report to the Comptroller and the Texas Legislature*

⁵⁸ Texas Higher Education Coordinating Board (March 2012). *Transforming Developmental Education*

⁵⁹ Harold Hahn, Vice-Chairman, Texas Higher Education Coordinating Board. Testimony, 4-24-12

⁶⁰ Mike Reeser, Chancellor at Texas State Technical Colleges. Testimony, 4-24-12

⁶¹ Millicent Valek, Ph.D., President, Brazosport College. Testimony, 4-24-12

⁶² Bruce Leslie, Ph.D., Chancellor, Alamo Colleges. Testimony 4-24-12