

SUBJECT: Continuing the Texas Higher Education Coordinating Board

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 5 ayes — Morrison, F. Brown, Goolsby, Mercer, Smithee

0 nays

4 absent — Chavez, Giddings, J. Jones, Nixon

SENATE VOTE: On final passage, April 22 — voice vote

WITNESSES: None

BACKGROUND: The Texas Higher Education Coordinating Board (THECB) was created in 1965 to ensure quality and efficiency as the state's public higher education system expands to meet the needs of a growing and changing population and work force. THECB gathers, analyzes, and provides data on higher education; reviews and recommends changes in formulas for allocating state funds to institutions; approves and coordinates degree programs and construction projects; and administers student financial aid programs.

The board comprises 18 members, representing all areas of the state, who are appointed by the governor for staggered six-year terms. In fiscal 2002-03, THECB employed 288 full-time workers and had an annual budget of about \$490 million, most of which was passed through to institutions. General revenue supports about 75 percent of the agency's budget, and more than one-third of its employees support student financial aid programs.

THECB also develops a state plan for higher education and administers state and federal programs to expand access, raise quality, improve efficiency, and increase research in higher education. In 2000, THECB, in cooperation with higher education, business, and community leaders, developed a master plan for higher education entitled "Closing the Gaps by 2015." The long-range plan focuses on steps the state can take to improve the preparation of its workforce by closing the gaps in higher education participation, graduation rates, and funded research. Two specific goals are to enroll an additional

500,000 students in higher education by 2015 and to increase by 50 percent the number of degrees and certificates awarded by high-quality programs.

THECB conducts a biennial review and recommends changes to the formulas the Legislature uses to allocate a major portion of funding among higher education institutions. THECB must approve most large construction projects and property acquisitions at universities, health-related institutions, and the Texas State Technical College system. THECB administers state-funded financial assistance programs that provide about \$757 million biennially in scholarships or other types of financial aid to Texas students, including the state-sponsored Hinson-Hazlewood loan program.

THECB coordinates general oversight of Texas' public two-year institutions, including 50 community/junior colleges districts with 68 separate campuses, four colleges in the Texas State Technical College system, and three state colleges, for a total of 75 two-year institutions.

THECB is subject to the Texas Sunset Act and will expire September 1, 2003, unless continued by the Legislature.

DIGEST:

CSSB 286 would continue the THECB until 2015 and would make various changes in the board's administrative duties. It would reduce the size of the board by half, from 18 members to nine, appointed by the governor, and would specify the procedure by which board positions would be eliminated.

Implementation of long-range planning goals. The bill would eliminate a requirement that THECB update its five-year master plan annually but would require the board to review and revise the plan periodically. As a specific element of this review, the board would have to identify and analyze the degree to which the plan reflected Texas' ongoing higher education needs, as well as any policy changes necessary to improve overall implementation of the plan and the fiscal impact of those changes. THECB would have to evaluate the degree to which its current activities supported implementation of the plan and any changes in board rules or practices needed to improve implementation. THECB would have emphasize implementation by institutions and would have to notify each higher education institution of all strategies for implementing the plan.

THECB's biennial report to the Legislature would have to discuss the implementation of its strategic plan for higher education in Texas. It would have to assess the state's progress in meeting the plan's goals and would have to recommend legislative actions to help meet those goals.

Strategic input on higher education finance. In allocating resources to institutions, the board would have to provide incentives for supporting the statewide long-range plan. As part of its biennial report to the Legislature or in a separate biennial report, THECB would have to submit findings and recommendations regarding the degree to which the state's higher education funding system supported the long-term strategic plan. The board would have to identify funding incentives that would encourage implementation of the plan by higher education institutions and would have to assess institutions' accountability in allocating resources to support the plan.

Student financial aid programs. THECB would have to evaluate methods of reducing administrative burdens and increasing participation in student financial aid programs to maximize the value of the programs to the state. In conducting the study, the board would have to seek input from financial aid officers and student groups at higher education institutions. By November 1, 2004, THECB would have to report to the Legislature its findings and recommendations for legislative action needed to consolidate, expand, or otherwise modify existing student financial aid programs.

P-16 Council. The bill would abolish THECB's eight-member Joint Advisory Committee (JAC) and replace it with the P-16 Council, comprising the education commissioner, higher education commissioner, executive directors of the Texas Workforce Commission and the State Board for Educator Certification, and additional members appointed by council members. The new council's duties would encompass those of the current JAC, including dropout prevention, coordination on teacher recruitment and retention, adult education, and career and technology training. The council would not establish curriculum or testing or assessment standards.

Allocation of loan disbursements. THECB would have to allocate Hinson-Hazlewood loan funds to institutions through the electronic funds transfer system of the Texas Guaranteed Student Loan Program. At the request of an institution, the funds could be distributed by another means. By

January 1, 2004, THECB would have to enter into a contract with the Texas Guaranteed Student Loan Corp. (TGSLC) to carry out this provision.

Performance data of general academic teaching institutions. By March 1, 2005, THECB would have to publish and post on its Internet site performance data on general academic teaching institutions, using data provided by each institution. The data would have to include qualifications of the entering freshman class, including average scores on standardized tests, overall grade-point average, number of students who graduated in the top 10 percent of their high school graduating classes, and enrollment percentages by ethnicity.

The data also would have to include information about student performance and institution efficiency, including the retention rate of full-time students after one academic year at the institution; the percentage of full-time degree-seeking undergraduates who earned a baccalaureate degree within six years of enrollment; the percentage of lower-division courses taught by tenured or tenure-track faculty; the percentage of undergraduate classes with fewer than 20 students and those with fewer than 50 students; the student-to-faculty ratio for undergraduate students; the percentage of students receiving financial aid; the average cost of tuition and fees and on-campus room and board; the number of disciplines in which master's and doctorate degrees were offered; a description of departments or programs with a statewide or national reputation for excellence; and statistics regarding job placement rates for students who had received certificates or degrees from the institution.

Each year, THECB would have to publish and post in a grid format on its Internet site the names of general academic teaching institutions, the required performance data for the most recent academic year, and other information the board considered appropriate. Each general academic institution would have to provide a link to this site on its website.

Common course-numbering system. By June 1, 2004, THECB would have to approve a common course-numbering system for lower-division courses to facilitate the transfer of courses and credits among institutions. Only a course-numbering system already in common use in the state could be approved, and THECB would have to cooperate with higher education institutions in any additional development or alteration of the course-numbering system and in developing rules for the administration and applicability of the system. Higher

education institutions would have to include in their course listings the applicable course numbers from the common course-numbering system, but THECB could grant an exception from this requirement for good cause.

Restructuring Teach for Texas and service obligation loan repayment programs. CSSB 286 would change the Teach for Texas Conditional Grant Program to a conditional loan repayment program. The program would provide repayment of student loans for certified teachers with at least one year of experience who teach in communities or subjects with a critical shortage of teachers. THECB would have to set the structure of repayments by rule and would have to establish repayment priorities if repayment assistance was limited. Loan repayment assistance would be limited to five years.

Loan repayment programs for child-care workers, physicians, and attorneys employed by the Attorney General's Office would be restructured so that THECB repaid student loans at the end of each year of service that met program requirements.

Sale of promotional items. THECB could sell or contract for the sale of media rights, training materials, and promotional items, including clothing, posters, and banners, designed to promote its public awareness campaign. THECB could use its Internet website to advertise and sell the items. Money received from these sales would have to be deposited to general revenue and could be used only to further the public awareness campaign.

Across-the-board provisions. The bill would add standard sunset language governing conflicts of interest, training and removal of board members, internal auditing, equal employment policy, the State Employee Incentive Program, dispute resolution procedures, and technology planning.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSSB 286 would enact most of the Sunset Advisory Commission's (SAC) recommendations for THECB and would help position the board as a more effective force in determining the direction of higher education in Texas.

Board composition. In 1999, Texas voters approved a constitutional amendment revising Art. 16, sec. 30a, to require state agency boards to

contain an odd number of members. THECB's 18-member board does not comply with this requirement, and the 15-member board recommended by the SAC would be unnecessarily large and unwieldy. A nine-member board would be more manageable while still reflecting Texas' diverse interests. The new board should be established immediately rather than over the course of a transitional period.

Implementation of long-range planning goals. As the SAC report noted, Texas has an institution-driven rather than a statewide approach to higher education. The result is little mission-driven differentiation between the institutions, overlapping degree programs, and no integrated system providing students with a continuum of options. The SAC acknowledged that THECB had made considerable progress in focusing higher education efforts on the key goals for success, but the SAC also noted that THECB has yet to articulate the action steps clearly or to propose the fundamental policy shifts necessary to meet the goals of its "Closing the Gaps" plan.

CSSB 286 would address these concerns by requiring THECB, as a specific element of its periodic strategic plan review, to identify and analyze the degree to which the plan reflected the state's higher education needs, as well as any policy changes needed to improve implementation of the plan. THECB also would have to assess its progress in biennial reports to the Legislature and recommend legislative action needed to meet these goals.

Strategic input on higher education finance. The SAC noted that THECB's limited role in advising the Legislature on higher education funding impairs its ability to guide funding strategically. CSSB 286 would give THECB a greater role in funding decisions by requiring the agency to recommend to the Legislature ways in which decisions about formula funding and other legislative appropriations can support long-range planning. This would include suggestions of funding incentives that would encourage institutions to meet planning goals, as well as an assessment of how well institutions have used state funds to meet long range planning goals.

P-16 Council. Currently, two parallel efforts exist to improve coordination of state agencies with oversight responsibility for public and higher education: the statutory Joint Advisory Committee (JAC) at the policy body level and the P-16 Council at the staff level. According to the SAC report, the JAC has not

been as effective in carrying out its duties and has duplicated efforts better achieved through the P-16 Council. Abolishing the JAC and establishing the P-16 Council in statute would eliminate the current redundancies between the policy bodies and would establish a clear priority of creating a more seamless educational system.

Allocation of loan disbursements. The SAC recommended that THECB should allocate Hinson-Hazlewood funds through TGLSC's electronic funds transfer system to serve Texas students better. According to the bill's fiscal note, this measure would save \$15,200 annually, because paper checks would not be issued and mailed using overnight services.

Performance data of general academic teaching institutions. CSSB 286 would help students and teachers compare institutions by requiring THECB to publish a comparison of institutions in grid formula on the agency's website. The agency would have to provide comprehensive information about Texas public higher education institutions that may not be readily available from other sources.

Common course-numbering system. The Common Course Number System now used by most Texas public higher education institutions provides a uniform set of course designations for students and their advisors to use in determining course equivalency for the transfer of credit between Texas public institutions. Unless there is good reason for not participating, all institutions should be required to use this system.

Restructuring Teach for Texas and service obligation loan repayment programs. The SAC found that loan forgiveness programs administered by THECB create lost opportunity costs for the state and students and result in unnecessary administrative costs for THECB and universities. Rigid and burdensome requirements inhibit student and university participation in the Teach for Texas program, and statutory eligibility and reporting requirements are unnecessarily complicated, burdensome, and confusing. CSSB 286 would streamline and simplify these programs by converting Teach for Texas to a loan repayment program and by restructuring other service obligation loan programs into repayment programs, so that participants would have to serve at least one year before qualifying for the program, and loan payments would be made at the end of each year of service.

This measure would account for most of the bill's projected savings of \$3.4 million during fiscal 2004-05 as grants were discontinued and students had not yet met the service requirements for loan repayments.

OPPONENTS
SAY:

Board composition. A nine-member board would be too small to represent effectively Texas' diverse interests in higher education. Higher education interests and issues vary considerably throughout the state, and these interests should be represented by 15 members, as recommended by the SAC, rather than by nine.

Implementation of long-range planning goals. State law should require even more cooperation between THECB and higher education institutions in this area. As the SAC report pointed out, higher education institutions often operate without regard to statewide coordination or long-term planning goals. CSSB 286 would not go far enough in giving THECB authority to eliminate duplication and waste between institutions.

Performance data of general academic teaching institutions. Most of this information is already available in the general media, such as in *U.S. News and World Report's* rankings and on websites for each institution. The state should not assume the additional cost associated with gathering and publicizing these data.

Common course-numbering system. Each institution should retain the option of whether to use the current course-numbering system rather than imposing an inflexible mandate.

OTHER
OPPONENTS
SAY:

The bill should repeal THECB's authority to approve construction projects after an institution's board of regents has studied and approved a project. THECB approval often involves duplication and unnecessary expenditures of state funds on feasibility studies and other activities that already have been conducted by the institution.

NOTES:

The committee substitute changed the Senate engrossed version of SB 286 by reducing the size of the board from 15 to nine members and adding the

provision that would allow THECB to sell promotional items to fund its public awareness campaign.