

# State of Student Aid and Higher Education in Texas

July 2018

By Carla Fletcher, Chris Fernandez, Kasey Klepfer, and Max Wartel

**Trellis Research**

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# Introduction

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

## Section 1: Texas Demographics

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

## Section 2: Texas College Readiness

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

## Section 3: Profile of Texas College Students

Texas students are likelier to attend college part-time than students nationwide, and this is especially true at two-year schools. Older students and first-generation students are more common outside of the four-year sectors. The two-year sector plays an important college gateway role in Texas. In fact, 80 percent of freshmen in Texas in 2015 were attending a two-year school.

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

The fourth section presents higher education costs by type and sector, showing that Texas remains lower than the nation for public and non-profit sectors. Even with lower costs, many students cannot stay within their institution's room and board estimate without having a roommate. This section also demonstrates that Texas students are highly reliant on federal aid, most of which comes in the form of student loans.

## Section 5: Grant Aid and Net Price in Texas

The pages in this section outline federal and state grant programs, with some breakouts by race/ethnicity and comparisons to other large states. Based on total awards and average award amount, the Pell grant is the largest grant program for Texas students by far. However, the average Pell grant award in Texas only covers 16 percent of the total cost for two semesters at a Texas public four-year university.

## Section 6: Loans

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

## Section 7: Need and Work

Unmet need, the amount of money a student still needs to pay for college after all financial aid, can be a serious hurdle for many students. Students in Texas with household incomes below \$35,000 had more than \$8,000 in unmet need in academic year 2015-2016. This section also shows that students would need to work 64 hours per week on minimum wage to pay for a public four-year education.

## Section 8: Texas College Attainment

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

## Section 9: Student Financial Wellness

This section reviews recent studies of student financial wellness, including food and housing security. Students who struggle with affording basic needs will likely have a more difficult time persisting through college to graduation compared with peers not experiencing those struggles.

## Section 10: Evidence-Based Programs and Interventions

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

## Section 11: Delinquencies, Defaults, and Collections

Texas has a lower cohort default rate on student loans than the nation for the first time, as detailed in this section. The overall rate for Texas is 10.4 percent, though this varies some by region of the state and by school type. This section also includes some sobering statistics about loan repayment and default using new federal data that has a longer tracking window than the official cohort default rate.

## Section 12: Texas Higher Education and Student Debt Policy

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

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# Table of Contents

---

<b>Introduction.....</b>	<b>v</b>
<b>Section 1: Texas Demographics.....</b>	<b>1</b>
Texas’ Future Dependent on the Education of Its Non-White Population.....	2
More Than Half of Jobs in Texas Will Require Postsecondary Education by 2020.....	3
More Than One in Six Texans Lacks Health Insurance.....	4
Texas Poverty Rate Fourteenth Highest in Nation.....	5
Poverty Rates Are High in the Rio Grande Region.....	6
<b>Section 2: Texas College Readiness.....</b>	<b>7</b>
A High School Curriculum of Academic Intensity Boosts College Success for Disadvantaged Students.....	8
Texas Ranks Near Top in High School Graduation Rates.....	9
Texas Ties For Largest Percentage of People Age 25 and Older Lacking a High School Education.....	10
About Half of Texas High School Graduates Enroll in College Immediately after High School.....	11
Rio Grande Valley Has Highest FAFSA Completion Rates in Texas.....	12
Low-Income Texas Students Are Less Likely to Enroll in College.....	13
Texas ACT Scores Comparable to the Nation, SAT Scores Lag Behind.....	14
Texas High School Students Lag Behind Students Nationally in College Readiness.....	15
The Importance of College Prep Programs in High School.....	16
<b>Section 3: Profile of Texas College Students.....</b>	<b>17</b>
Texas Undergraduates More Likely to Attend Two-year Institutions Than U.S. Undergraduates.....	18
Most Undergraduates in Texas Attend Two-year Institutions.....	19
Nearly Half of Undergraduates in Texas Enroll in School Part Time.....	20
Over 25 Percent of Undergraduates in Texas Are Age 25 or Older.....	21
About 75 Percent of Students at Texas Public Universities Were Not in the Top 10 Percent Of Their High School Class.....	22
First Generation Students Make Up About a Third of Undergraduate Enrollments.....	23
<b>Section 4: Cost of Education and Sources of Aid in Texas.....</b>	<b>25</b>
Texas Public Four-year University Cost of Attendance Below National Average.....	26
Texas Public Two-year Colleges Cost Less Than National Average.....	27
Costs at Texas Private Four-year Universities Still Less Than National Average.....	28
The Cost of Going to College Continues to Rise Each Year.....	29
Basic Food and Housing Costs for Some Students May Be Higher Than Estimated.....	30
One-third of U.S. Institutions of Higher Education Underestimate Living Costs by More Than \$3,000.....	31
Texas Highly Dependent on Federal Government for Student Aid.....	32
Texas Students Highly Dependent on Loans.....	33
Texas Public Four-year Students Are Most Heavily Dependent on Federal Student Loans.....	34

(continued)



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# Table of Contents (Continued)

---

<b>Section 5: Grant Aid and Net Price in Texas.....</b>	<b>35</b>
State Grant Aid Grows While Pell, Still the Largest, Declines.....	36
TEXAS Grant has Highest Average Award.....	37
Grant Recipients in Texas Are Racially/Ethnically Diverse.....	38
The Federal Pell Grant Covers Less Than One-fifth of Average Public Four-year Costs.....	39
Texas State Grant Aid Increases.....	40
Net Price of Attendance for Lowest-Income Public Four-year Undergraduates in Texas Is More Than \$8,300.....	41
 <b>Section 6: Loans.....</b>	 <b>43</b>
Volume for the Largest State Loan Program, HHL-CAL, Increases Dramatically.....	44
HHL-CAL Loans Go Predominantly to Private Four-year Schools.....	45
HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment.....	46
Federal Loan Volume Concentrated in Rural Areas, More Widely Distributed in Urban Areas.....	47
Four-Year Public Schools Account for More Than Half of Federal Loan Volume.....	48
HBCU and HSI Federal Loan Volume Is Proportionally Less Than Enrollment.....	49
One Third of Public Four-year Students Do Not Remember Completing Entrance Counseling.....	50
Transfer Students Borrow About as Often and Nearly as Much as Native Students.....	51
 <b>Section 7: Need and Work.....</b>	 <b>53</b>
Unmet Need for Low-Income Students in Texas Nearly \$9,000 at Public Universities.....	54
Community College Students Expected to Pay Far Less But Have Almost As Much Unmet Need.....	55
Students at Proprietary Institutions Most Likely to Carry Outstanding Credit Card Balance.....	56
Paying for A Bachelor’s Degree Through Work Alone Would Require 64 Hours per Week at Minimum Wage.....	57
 <b>Section 8: Texas College Attainment.....</b>	 <b>59</b>
College Graduates Earn Far More Than High School Graduates and Experience Less Unemployment....	60
Better Educated Workers Have Higher Lifetime Earnings.....	61
One-third of Texans Age 25 and Older Have a Bachelor’s Degree.....	62
Texas Educational Attainment Levels Vary by Region.....	63
Graduation Rates in Texas Rising, But Remain Stratified by Race/Ethnicity.....	64
Texas Ranks Low in Percentage of Young Adults with a Bachelor’s Degree or Higher.....	65
Many Texas Students Exit the Education Pipeline toward a Higher Education Degree or Certificate at Transition Points.....	66
Most Programs of Study in Texas Report Graduates’ Debt-to-Income Ratios are Less Than Ten Percent..	67

(continued)



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# Table of Contents (Continued)

---

<b>Section 9: Student Financial Wellness.....</b>	<b>69</b>
Recent Studies of Food Security Amongst College Students find Similar Results, High Levels of Food Insecurity.....	70
Housing Security and Homelessness.....	71
A Quarter of Students Support a Family While in School.....	72
More Than Half of Students Have Concerns About Affording College.....	73
More Than Half of Students Would Have Trouble Getting \$500 to Meet an Unexpected Need.....	74
Almost Half of Students Express Concern About Affording Day-to-Day Expenses.....	75
Two-thirds of Students are Less Than Confident They Can Pay Off the Debt Acquired.....	76
<b>Section 10: Evidence-Based Programs and Interventions.....</b>	<b>77</b>
Interventions to Provide Support and Skills Training Improves Employment Outcomes for Students in Some Two-year Programs.....	78
Individualized Coaching is Effective for Increasing Attainment and Persistence.....	79
Text Nudges Provide Needed “Summer Melt” Intervention at a Low Cost.....	80
Text Nudges Can be Used to Improve Two-year Outcomes During a Student’s Academic Career.....	81
<b>Section 11: Delinquencies, Defaults, and Collections.....</b>	<b>83</b>
Default Rates for Texas Decrease; Increase for the Nation.....	84
Texas Three-year Cohort Default Rates Vary by Region.....	85
Short-Term Programs Have Higher Three-year Default Rates.....	86
Texas Student Loan Balance Per Capita Lower Than National Average.....	87
Texas has Similar Rates of Delinquency on Household Debt Compared to the Nation.....	88
Nearly Half of Borrowers Who Did Not Graduate Had Defaulted within 12 Years of Starting College.....	89
One in Five Borrowers Who Began College in 2003-04 Fully Repaid Loans Within 12 Years Of Starting College.....	90
<b>Section 12: Texas Higher Education and Student Debt Policy.....</b>	<b>91</b>
60x30TX: New Strategic Plan Targets Debt-to-Income Ratio.....	92
Funding for Almost All Texas Financial Aid Programs Decreased in 2018-2019 Biennium.....	93
Student Loan Debt in Texas Grows Faster Than the U.S.; Tops \$100 Billion.....	94
Students Who Borrow More Are Less Likely to Default.....	95
B-On-Time Loan Showed Promise But Was Underutilized.....	96
More Borrowers Pursue Federal Public Service Loan Forgiveness, Which Congress May Repeal.....	97
Texas Legislature Examines Higher Ed Funding After Rejecting Re-Regulation of Tuition.....	98
Decrease in Non-Formula Funding Causes Net Appropriations Decrease for Texas Academic Institutions.....	99



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# Glossary of Terms

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

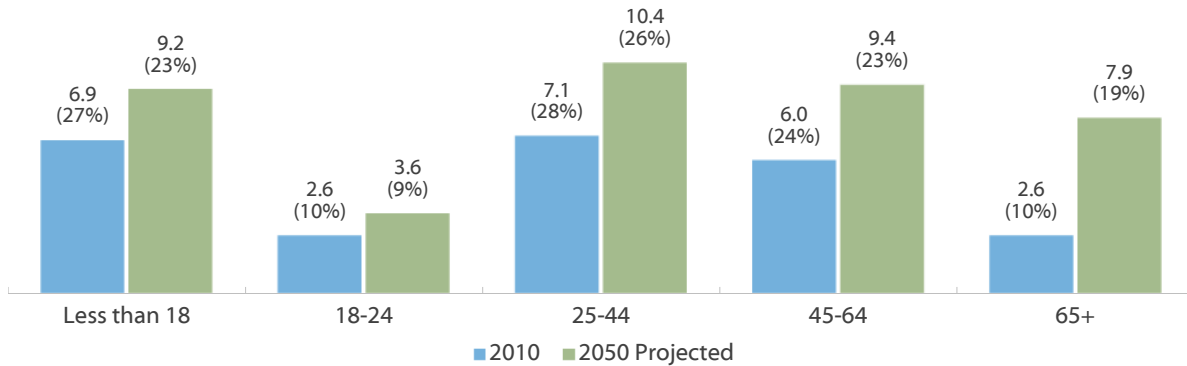
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SECTION 1

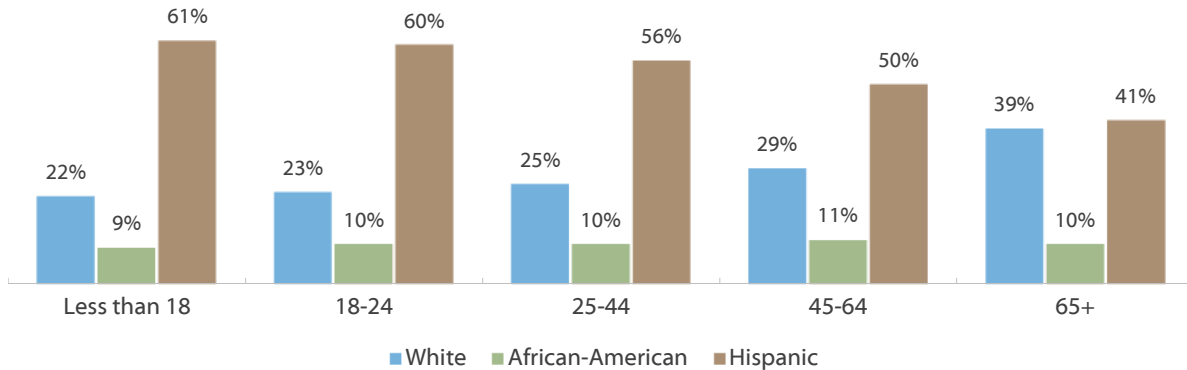
# Texas Demographics

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

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



**Projected\* 2050 Population by Age and Ethnicity in Texas**



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

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

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

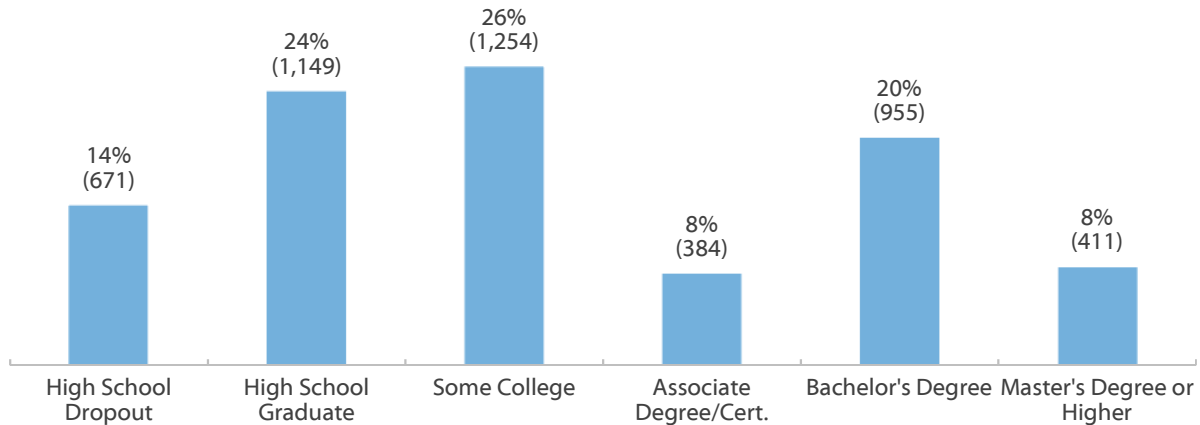
Source: Texas State Data Center and Office of the State Demographer, "Texas Population Projections Program: 2014 Population Projections", Population Projections for State of Texas by Age Group (<http://osd.texas.gov/Data/TPEPP/Projections/>).



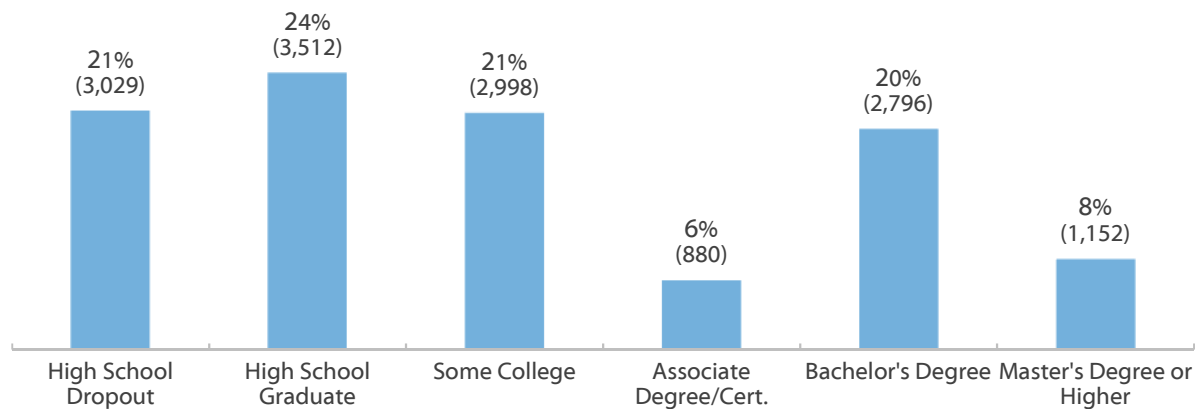


# More Than Half of Jobs in Texas Will Require Postsecondary Education by 2020

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



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



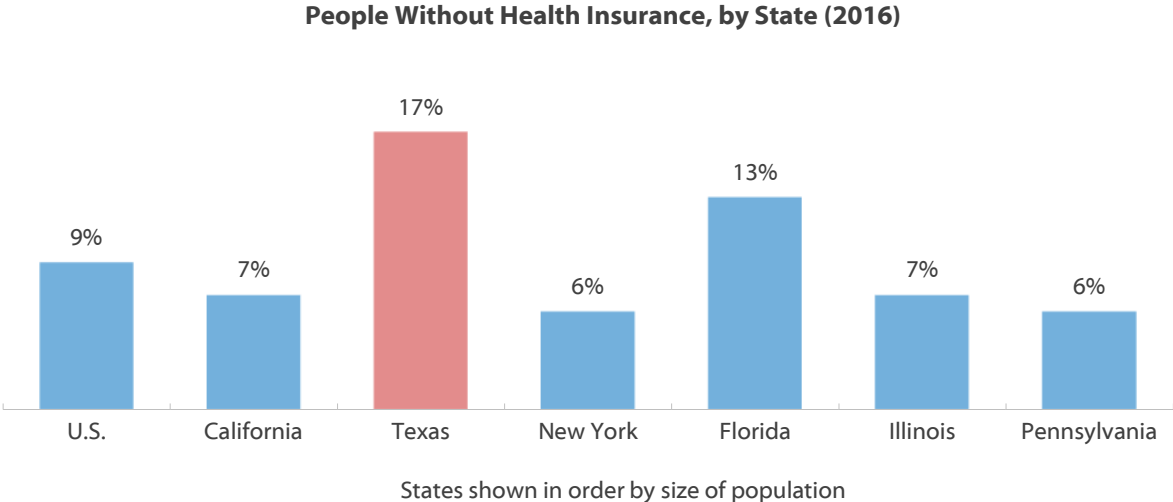
By 2020, approximately 54 percent of jobs in Texas and 65 percent of jobs nationally will require some kind of formal training or education beyond high school. Between 2010 and 2020, approximately 62 percent of all job openings in Texas will require some postsecondary education, and around 36 percent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

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

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



# More Than One in Six Texans Lacks Health Insurance



About nine percent of Americans lacked health insurance in 2016. The percentage is much higher in Texas. At 17 percent, Texas is almost twice the national average. It has the highest percentage of any state, with Alaska coming in second at 14 percent.

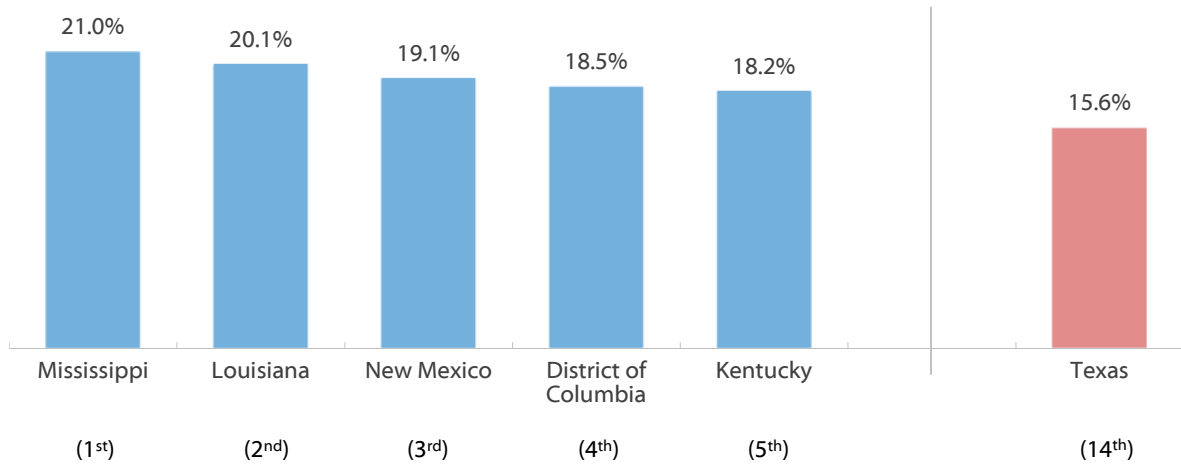
If a college student or family member were to become ill and did not have health insurance, it could be financially devastating and cause the student to drop out of college.

Source: U.S. Census Bureau, "Health Insurance Coverage in the United States: 2016" (<https://www.census.gov/content/dam/Census/library/publications/2017/demo/p60-260.pdf>).



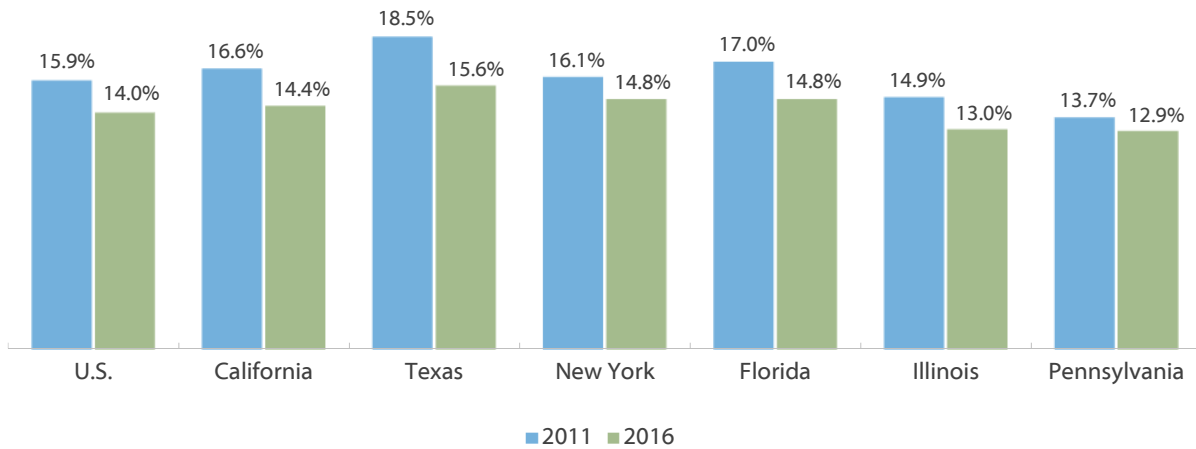
# Texas Poverty Rate Fourteenth Highest in Nation

People in Poverty, States with Highest Rates (2016)



An average of 14 percent of people in the U.S. lived in poverty in 2016, up from 13.5 percent in 2015. Texas has the fourteenth highest poverty rate in the nation and a poverty rate higher than the national average. In 2016, 15.6 percent of Texans lived below the poverty line, down from 15.9 percent in 2015. In 2016, poverty was defined as having an income of \$24,339 or less for a family of four with two children, or \$12,486 or less for an individual under 65 years old.

People in Poverty, Largest States (2016)



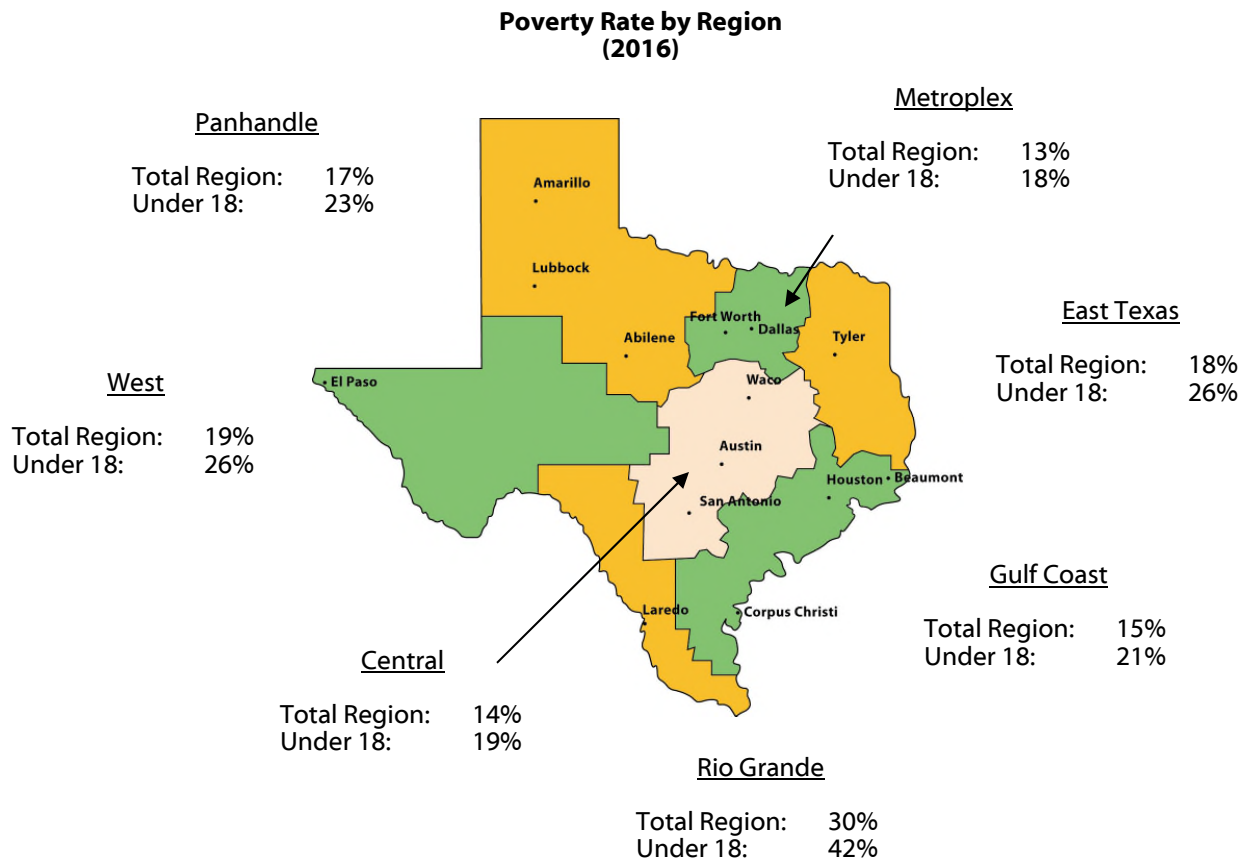
States shown in order by size of population

At 15.6 percent, Texas continues to have the highest poverty rate among the six largest states, followed by Florida and New York, at 14.8 percent. All of the six largest states and the nation overall saw a decrease in poverty rate between 2011 and 2016.

Sources: Poverty Rates: U.S. Census Bureau, "Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2011-2012 and 2015-2016" (<http://www.census.gov/topics/income-poverty/poverty.html>); Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2016" (<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>)



# Poverty Rates Are High in the Rio Grande Region



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

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

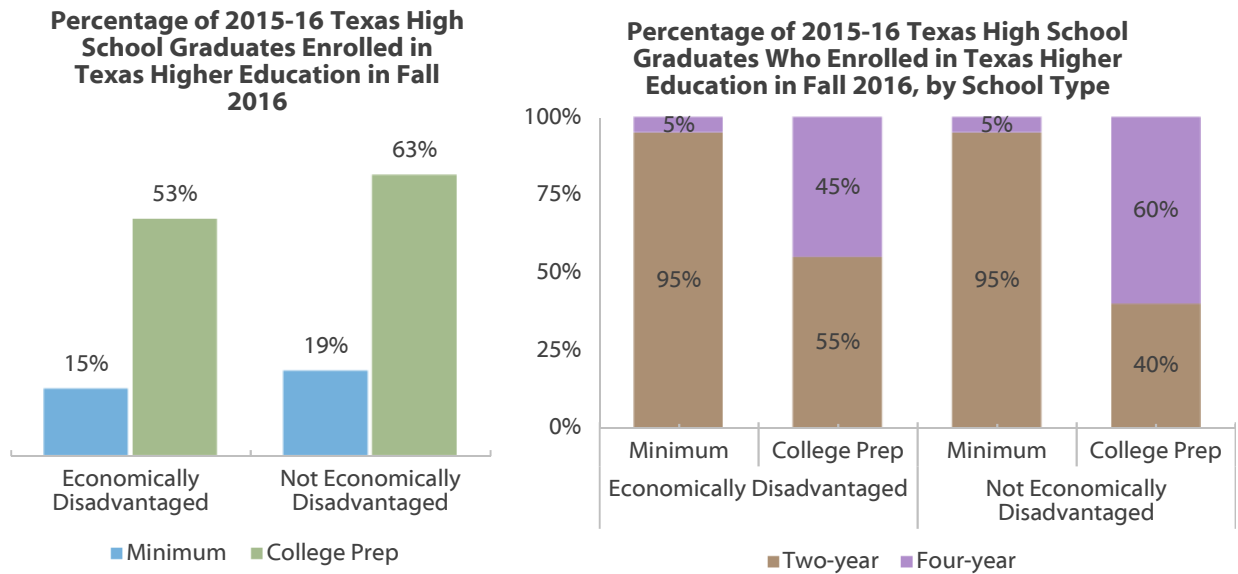
Sources: Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2016" <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>); Poverty rates by region: U.S. Department of Agriculture, Economic Research Service, "Poverty estimates for the U.S.,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



**SECTION 2**

**Texas College Readiness**

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



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

In 2015–16, high school graduates with College Prep\* diplomas were more likely to enroll in college immediately following graduation, with 53 percent of economically disadvantaged\*\* students with College Prep diplomas enrolling in college compared to 15 percent of those with minimum diplomas. For students who were not economically disadvantaged, 63 percent of those with College Prep diplomas enrolled in college compared to 19 percent of those with minimum diplomas. “Economically disadvantaged,” college-prepared high school graduates are 15 percentage points less likely than college-prepared students considered “not economically disadvantaged” to enroll in a four-year college after graduation.

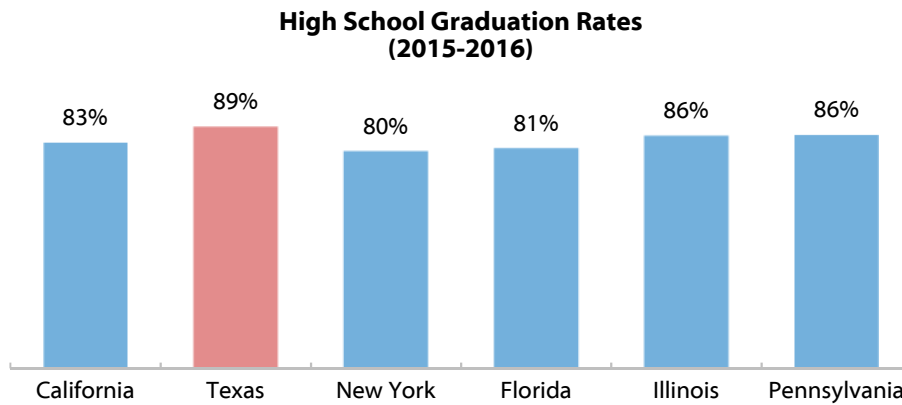
\*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep diploma for the purposes of this analysis, and a graduate of the Minimum achievement program is considered a Minimum program. The Recommended and Distinguished programs require more completed credits (26) in mathematics, science, social studies, language other than English, and fine arts than the minimum program. The Minimum program has fewer required completed credits (22). Students enrolled under the Foundation program, eight percent of 2015-16 Texas high school graduates, are excluded from this analysis as this new diploma program is intended to replace all existing diploma types, and thus encompasses minimum and college prep curriculums.

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

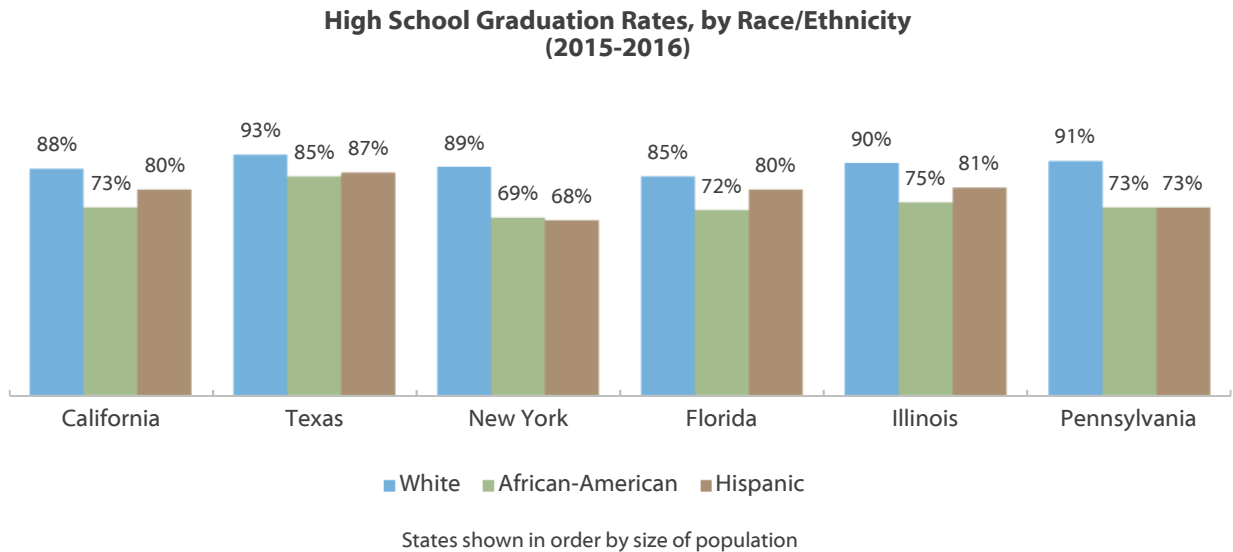
Sources: High school curriculum and degree completion: U.S. Department of Education, Office of Educational Research and Improvement, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor’s Degree Attainment*, by Clifford Adelman (1999) (<http://www2.ed.gov/pubs/Toolbox/toolbox.html>); Side-by-Side Comparison: Texas Graduation Programs 2014-2015: ([https://tcta.org/sites/tcta.org/files/current\\_hb5\\_grad\\_requirements\\_comparison\\_chart.pdf](https://tcta.org/sites/tcta.org/files/current_hb5_grad_requirements_comparison_chart.pdf)); All other: THECB, “2015-2016 Texas High School Graduates Enrolled in Higher Education Fall 2016, by Economic Category, Diploma Type, and Ethnicity” (unpublished tables).



# Texas Ranks Near Top in High School Graduation Rates



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



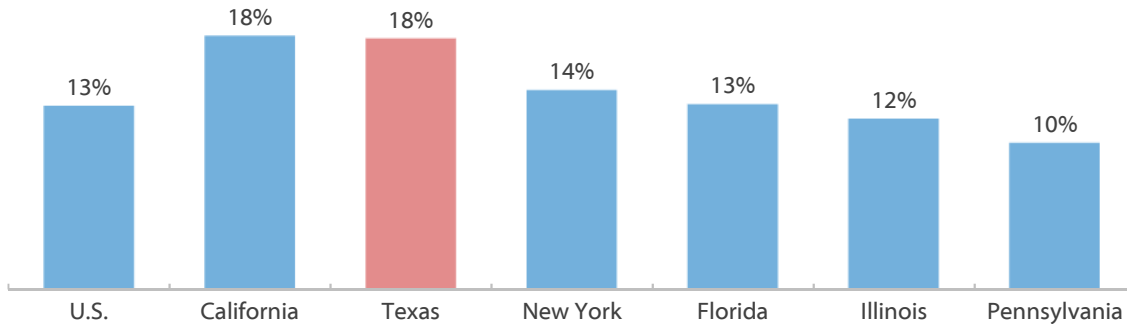
The recent increases in high school graduation rates have been due in part to dramatic reductions in the number of “dropout factory” high schools in the past 10 years. These schools are defined as having 60 percent or less of their ninth-grade class still enrolled in their senior year. In 2002, more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

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



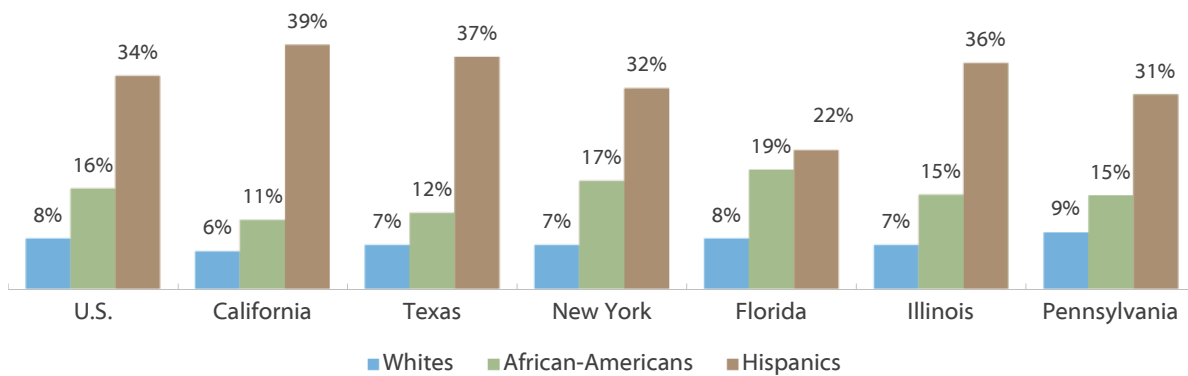
# Texas Ties For Largest Percentage of People Age 25 and Older Lacking a High School Education

**People Age 25 and Older Who Have Not Finished High School (2016)**



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

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



States shown in order by size of population

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

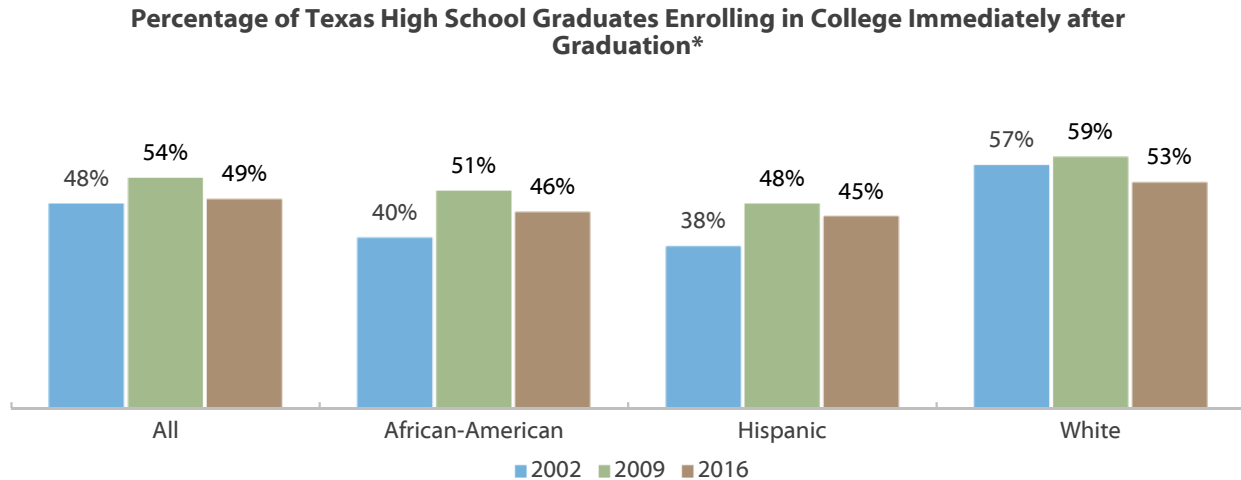
- Hispanics, who comprised over a third of the Texas population in 2016 and who are projected to comprise 53 percent by 2050, are the least likely to have obtained a high school diploma. As of 2016, 37 percent of Hispanics age 25 and older had not finished high school.
- Approximately 12 percent of African-Americans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

Sources: Texas State Data Center and Office of the State Demographer, Texas Population Projections Program, “Population Projections for the State of Texas and Counties in One File,” 2014 (<http://www.txsdcenter.utsa.edu/Data/TPEPP/Projections/Index.aspx>). High school completion among 25 and older: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates, Detailed Tables (<http://www.census.gov/acs/www/>); High school graduation rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<http://www.eddataexpress.ed.gov/>).





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



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

In 2002, 48 percent of all Texas high school graduates entered college in the summer or fall immediately after high school graduation. This increased to 54 percent in 2009, but has been steadily declining slightly each year since to 49 percent in 2016. This overall trend holds for the individual racial/ethnic groups – the rates reach a high point in 2009 and then fall slightly each year after until 2016.

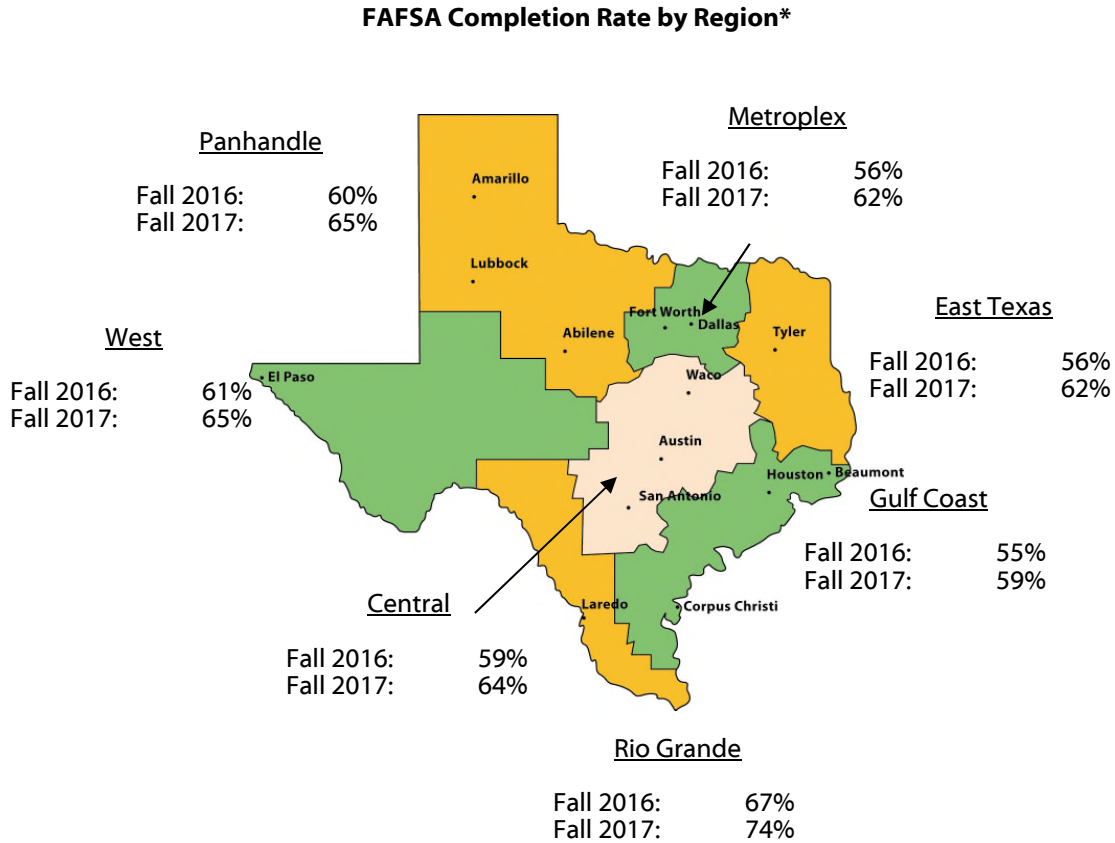
The percentage of White students who enroll still exceeds the percentage of non-Whites; however, this gap is closing. There was a 19-percentage point gap between White students and Hispanic students in 2002 which shrank to 8 percentage points by 2016, due both to rising college enrollment rates among Hispanic students and dropping rates among White students. A similar trend is seen comparing African-American students to White students. Keeping track of college enrollment immediately following high school graduation is important because delaying postsecondary enrollment after high school graduation is a risk factor for eventually dropping out of college or never enrolling.

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

Sources: “Closing the Gaps” goals: Texas Higher Education Coordinating Board (THECB) *Closing the Gaps*, October 2000 (<http://www.thecb.state.tx.us/reports/PDF/0379.PDF?CFID=11742258&CFTOKEN=38987795>); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2016, “High School Graduates Enrolled in Higher Education the Following Fall: State Summary by Ethnicity and Higher Education Sector, Fall 2000 to Fall 2016” (<http://www.txhighereddata.org/index.cfm?objectId=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A>).



# Rio Grande Valley Has Highest FAFSA Completion Rates in Texas



The Free Application for Federal Student Aid (FAFSA) is the standardized financial aid application used by nearly all colleges and universities to award all types of financial aid. The form is administered by the Office of Federal Student Aid (FSA), part of the U.S. Department of Education. Many students and families do not realize that most colleges and universities use this form to award all financial aid, not only Federal loans and grants. By completing the FAFSA, students and their families may have access to more financial options and may be able to make more informed decisions about college enrollment. Because of the importance of filling out the FAFSA and the strong correlation between FAFSA completion and college attendance, FSA has made data on FAFSA completion available to high schools and the public.

Completion rates increased between the fall of 2016 and the fall of 2017, likely due largely to two things. First, the first day of FAFSA filing was moved up three months, allowing seniors to complete the form starting October 1, 2016, rather than January 1, 2017. And second, alongside this change, FAFSA filers are now able to use their prior-prior year tax information, as opposed to their prior year tax information, which would not be available for families to use until at least January. These changes have had obvious effects across Texas. All regions saw increases between 4 and 7 percentage points. At 74 percent, high school seniors in the Rio Grande Valley region had the highest FAFSA completion rate by October 2017.

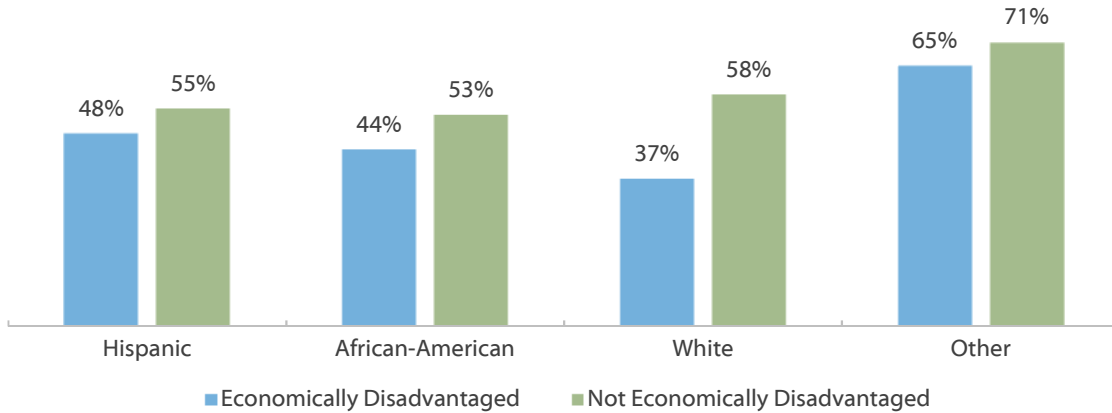
\* Fall 2016 represents the class of 2015-2016 high school seniors completing the FAFSA as of October 6, 2016; Fall 2017 represents the class of 2016-2017 high school seniors completing the FAFSA as of October 6, 2017.

Source: U.S. Department of Education, Office of Federal Student Aid, *FAFSA Completion by High School* (<http://studentaid.ed.gov/about/data-center/student/application-volume/fafsa-completion-high-school>). Number of high school seniors from Texas Education Agency, special request.



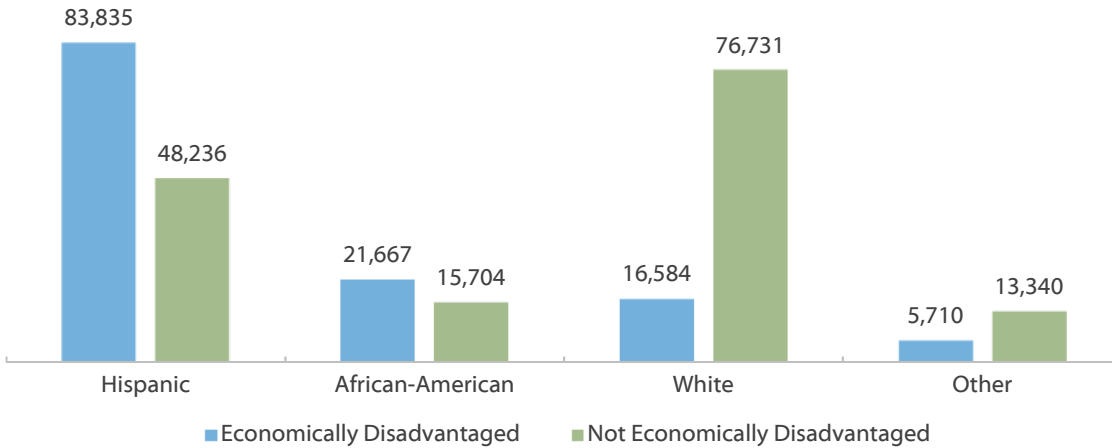
# Low-Income Texas Students Are Less Likely to Enroll in College

**Percentage of 2015-16 Texas High School Graduates Enrolled in Texas Higher Education in Fall 2016, by Ethnicity**



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

**Number of 2015-16 Texas High School Graduates, by Ethnicity**



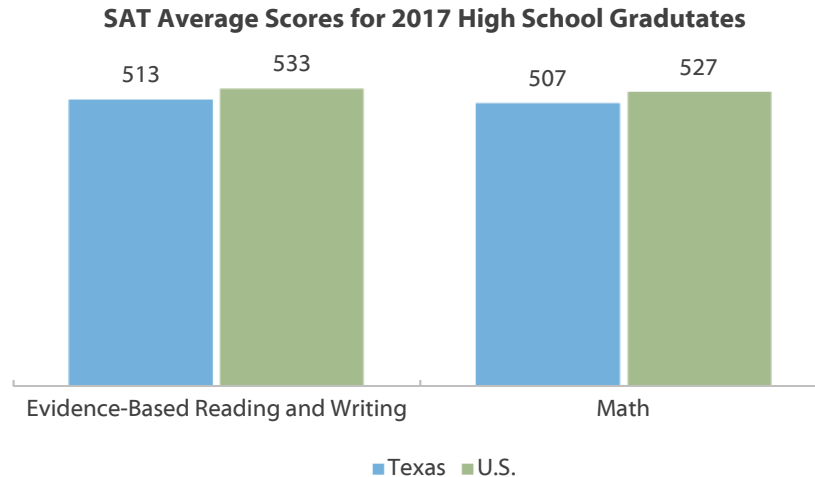
Only 18 percent of White high school graduates in Texas are considered to be economically disadvantaged, while 63 percent of Hispanic and 58 percent of African-American high school graduates are considered economically disadvantaged.

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

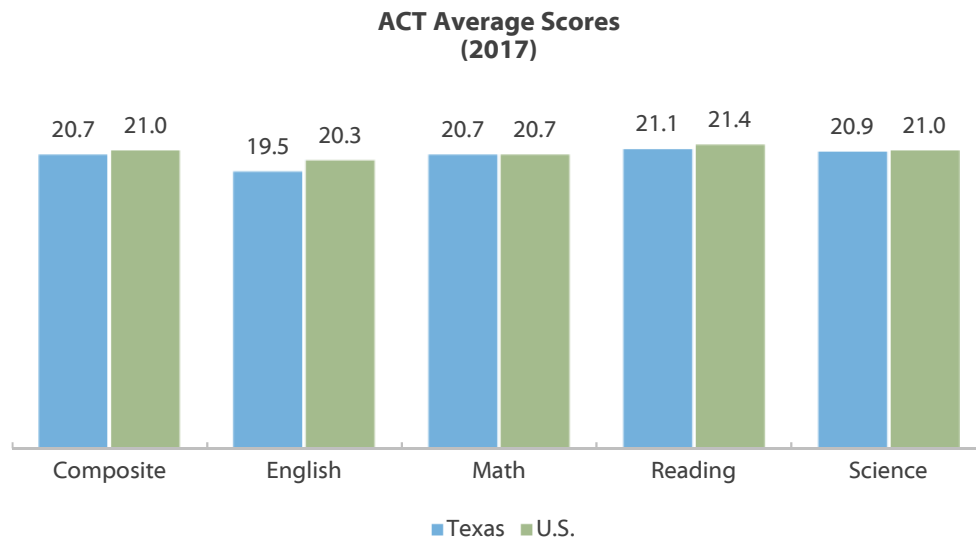
Sources: The Texas Higher Education Coordinating Board, “2015-2016 High School Graduates Enrolled in Higher Education Fall 2016, by Diploma Type and Ethnicity” (unpublished tables).



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



More than 200,000 Texas high school seniors and 1.7 million high school seniors nationwide — well over half the total graduating class for both groups — took the SAT in the 2015–2016 school year. Average SAT scores are lower in Texas compared to the U.S. in both categories.

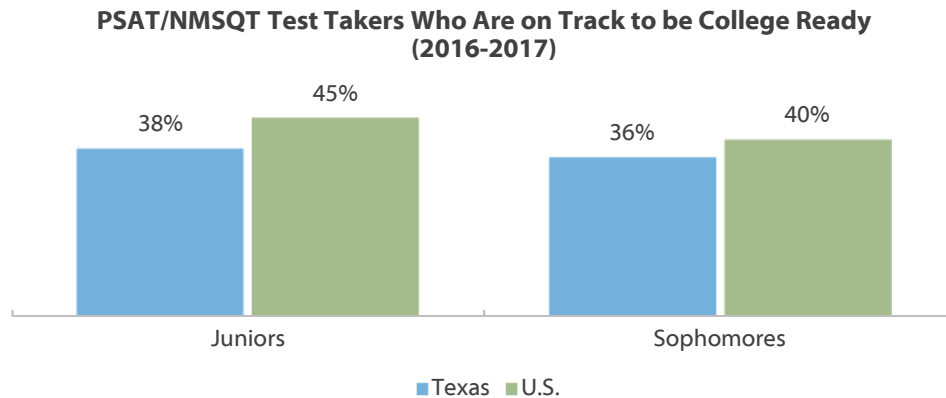


The American College Test (ACT) is less popular in Texas than the SAT but may be gaining in popularity. Forty-five percent of 2016-2017 Texas high school graduates took the ACT, up from 37 percent since 2013. Nationally, 60 percent of high school graduates took the exam. While average ACT composite scores in Texas have often lagged slightly behind national averages, the average composite score for Texas graduates has roughly mirrored that of the nation as a whole in recent few years, with slight variations in each subject area.

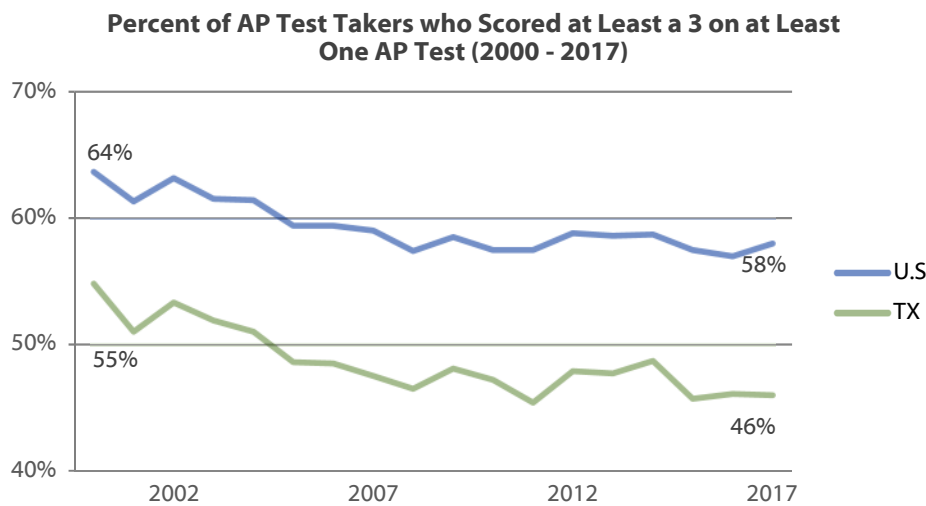
Source: SAT: The College Board, SAT Data & Reports, College-Bound Seniors 2017 (<https://reports.collegeboard.org/pdf/2017-total-group-sat-suite-assessments-annual-report.pdf>); ACT: ACT, National and State Scores 2017 (<https://www.act.org/content/act/en/research/condition-of-college-and-career-readiness-2017.html>).



# Texas High School Students Lag Behind Students Nationally in College Readiness



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



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

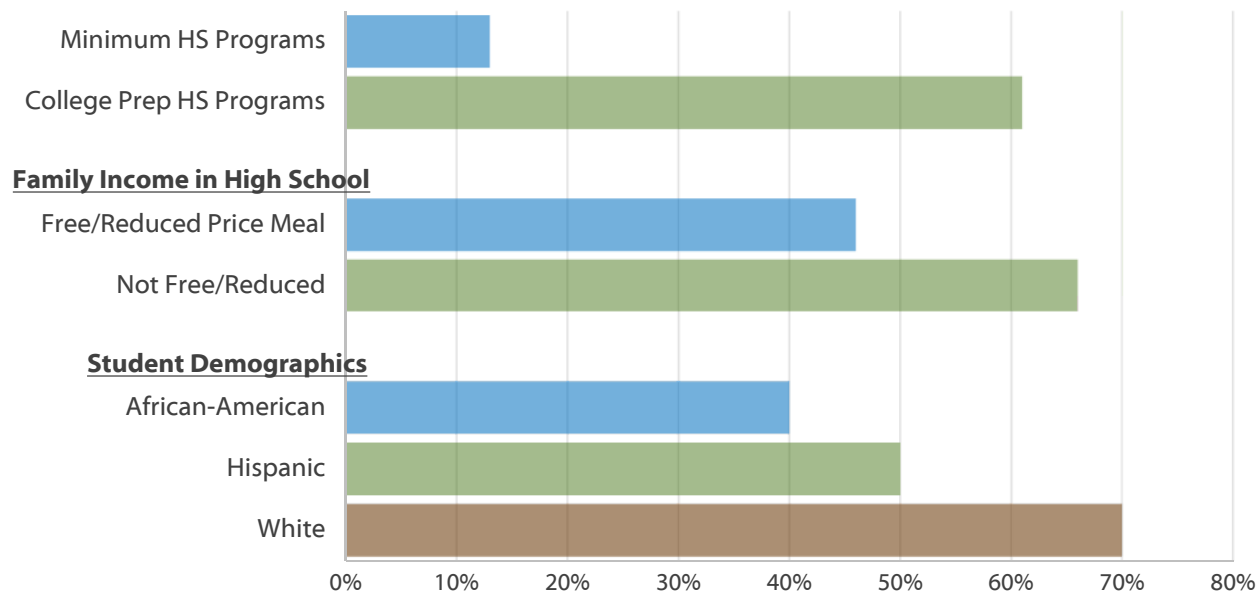
Texas trailed the nation in success rates in 2017, with 46 percent of test takers earning at least a 3 on an AP exam compared to 58 percent nationally. The percentage of AP test takers who scored at least a 3 on at least one AP test has declined both nationally and in Texas since 2000, however, the total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

Source: PSAT/NMSQT: The College Board, PSAT/NMSQT Data & Reports (<http://research.collegeboard.org/programs/psat/data/cb-ir>); AP: The College Board, AP Program and Participation Data 2017 (<https://research.collegeboard.org/programs/ap/data/participation/ap-2017>)



# The Importance of College Prep Programs in High School

**Percent of 2015-16 Texas High School Graduates, Enrolled in Texas Higher Education in Fall 2016 that Met All TSI Standards**



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

Of all 2015-16 high school graduates who enrolled in higher education the following fall, 58 percent met TSI standards in math, writing, and reading. However, the percentages of high school students who met all TSI standards varied widely when comparing characteristics. Students who enrolled in higher education after completing the minimum high school diploma program were far less likely to meet TSI standards than students who completed the College Prep\* diploma. Sixty-one percent of students in the College Prep diploma program met all TSI standards, compared to just 13 percent of those completing the minimum diploma program.

Low-income high school graduates were also less prepared for college than their peers. Forty-six percent of students who received free or reduced-price meals in high schools – a common metric to identify low-income students – met all TSI standards compared to 66 percent of students who did not receive free or reduced-price meals. College readiness measures also varied based on student demographics. Seventy percent of White students met all TSI standards, compared to 50 percent of Hispanic students and 40 percent of African-American students.

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

Source: TSI Description and Requirements, College for All Texas, (<http://www.collegeforalltexas.com/index.cfm?objectid=63176344-FFFA-217B-60C9A0E86629B3CA>). Student Performance on Texas Success Initiative (TSI) Readiness Measures 2015-16 High School Graduates Enrolled in Texas Public Higher Education in Fall 2016, THECB, September 2017, (<http://www.theccb.state.tx.us/reports/PDF/6849.PDF?CFID=51345397&CFTOKEN=71711012>)

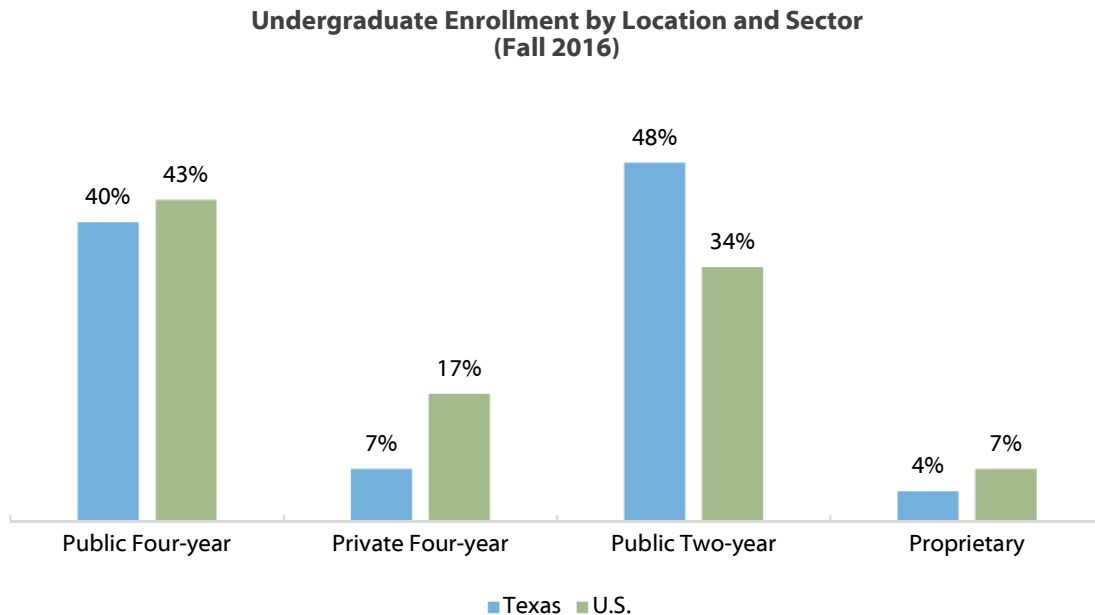


**SECTION 3**

**Profile of Texas College Students**

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

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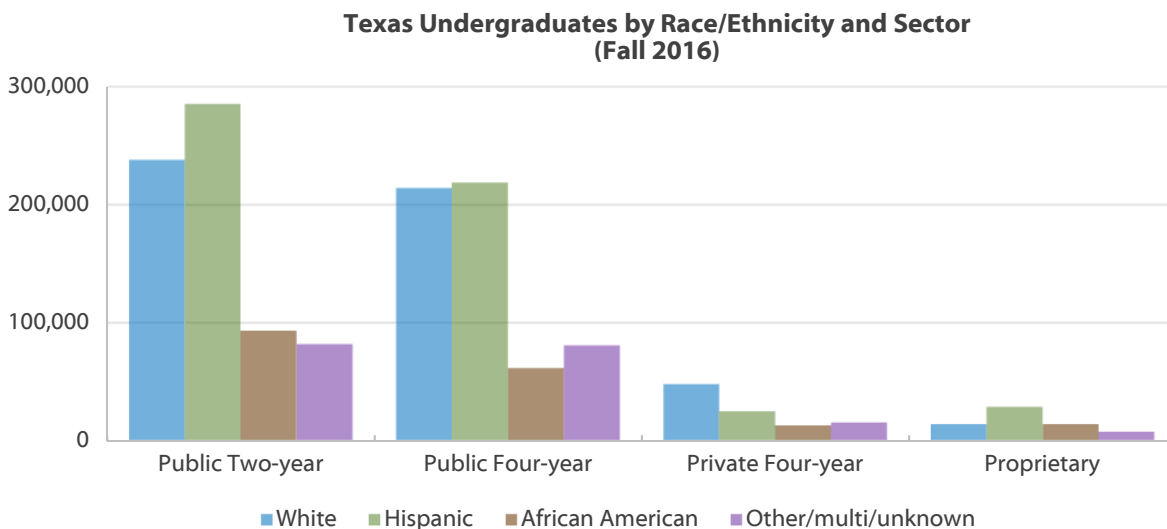
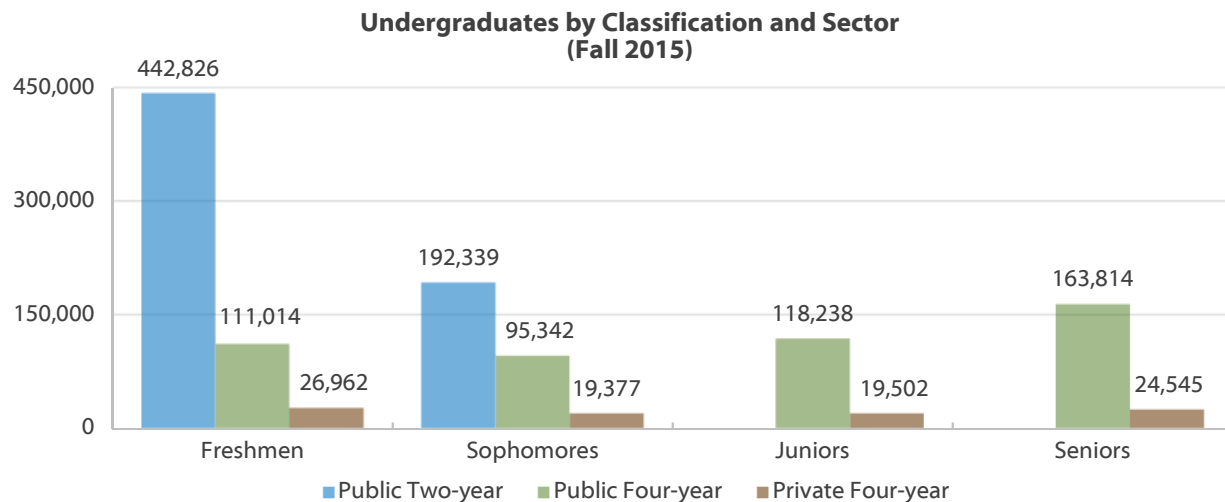


Almost half Texas undergraduates attended public two-year institutions in the fall of 2016, far more than the percentage of undergraduates nationwide in that sector. Texas undergraduates were less likely to be enrolled at private four-year or proprietary institutions compared to undergraduates nationwide,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

Students who enroll at public two-year institutions are more likely to attend part-time compared to students enrolled in other sectors. Part-time students are at a greater risk of dropping out compared to those attending full-time, which is one of the factors that makes Texas undergraduates generally riskier than U.S. undergraduates.



# Most Undergraduates in Texas Attend Two-year Institutions



Public colleges and universities in Texas enrolled 1,337,724 undergraduate and 122,066 graduate students in fall 2015 (THECB; 2016 data above are from IPEDS to include proprietary institutions). Across all races/ethnicities, the number of undergraduates at public two-year institutions in Texas exceeds the number at public four-year institutions and far exceeds the number at private institutions, especially for freshmen. In fact, 80 percent of all freshmen attending Texas public institutions of higher education in fall 2015 were enrolled at two-year colleges (up from 76 percent in fall 2000), and only 20 percent were enrolled at four-year universities.

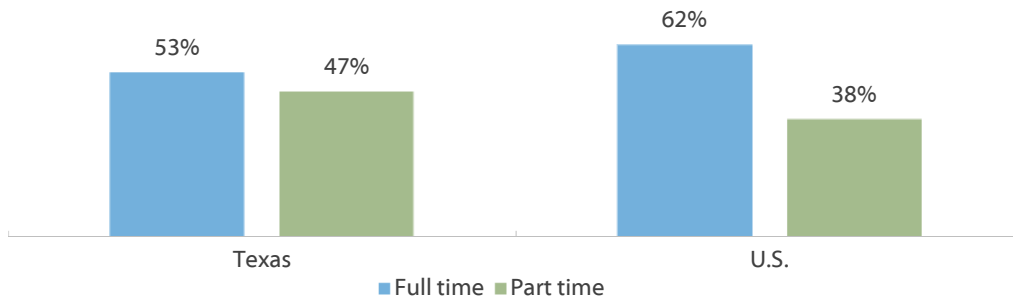
Texas colleges and universities are exceptionally diverse. While White students represent a plurality at all but proprietary institutions, they are not the majority of students in any sector.

Sources: Enrollment by classification: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Profile Reports Electronically Produced (PREP), Enrollment Statewide by Institution Type and Classification ([http://www.txhighereddata.org/Interactive/PREP\\_New/](http://www.txhighereddata.org/Interactive/PREP_New/)). Enrollment by race (fall 2016): U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); Enrollment by race (fall 2016): Texas Higher Education Coordinating Board (THECB) 2016 Higher Education Almanac Institutional Comparison Sheets (<http://www.thecb.state.tx.us/index.cfm?objectid=A44B548A-E50C-8417-E09BF83FC11EA1EF>).

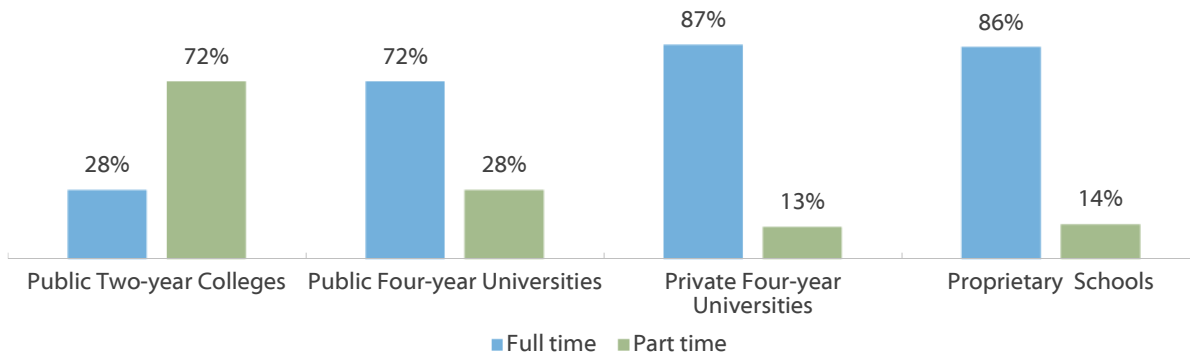


# Nearly Half of Undergraduates in Texas Enroll in School Part Time

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



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



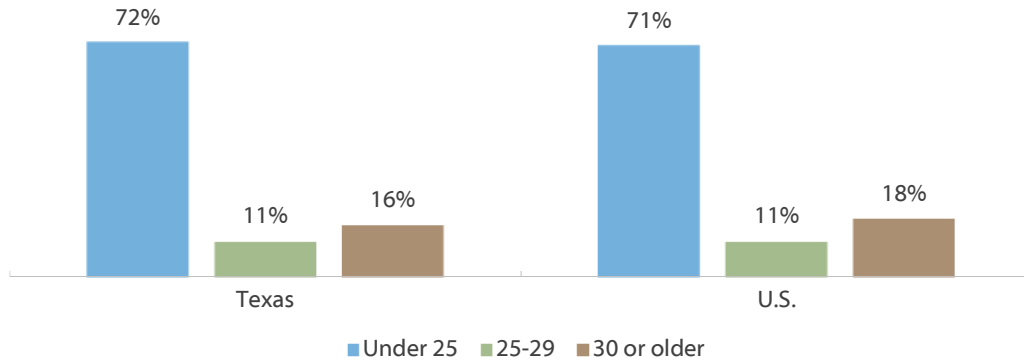
Part-time enrollment is more common in Texas than in the nation as a whole. As of fall 2016 about 53 percent of undergraduates in Texas were classified as full-time students. Full-time attendance is most common at private four-year universities, followed closely by proprietary colleges, then public four-year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

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

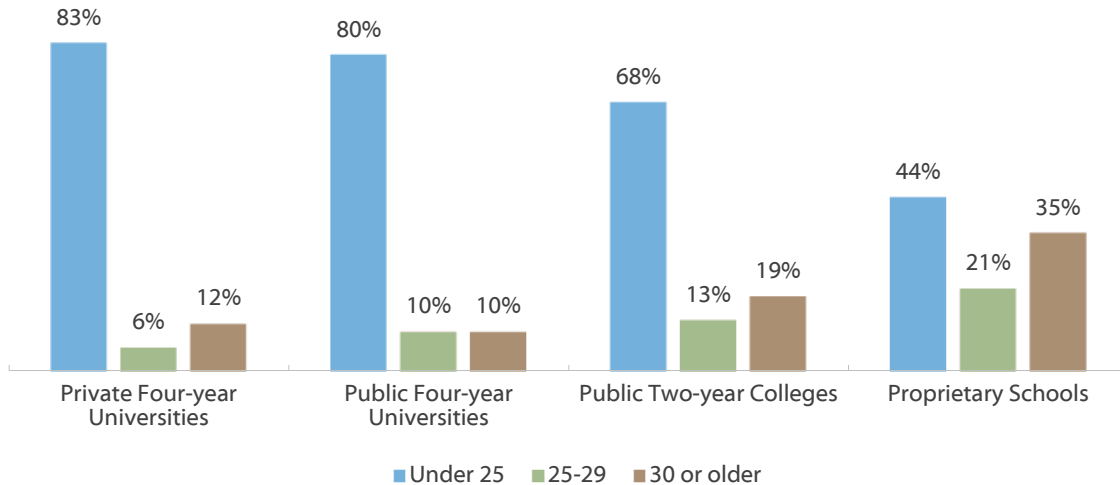


# Over 25 Percent of Undergraduates in Texas Are Age 25 or Older

**Age of Undergraduates in Texas and the U.S. (Fall 2015)**



**Age of Undergraduates in Texas by School Sector (Fall 2015)**



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

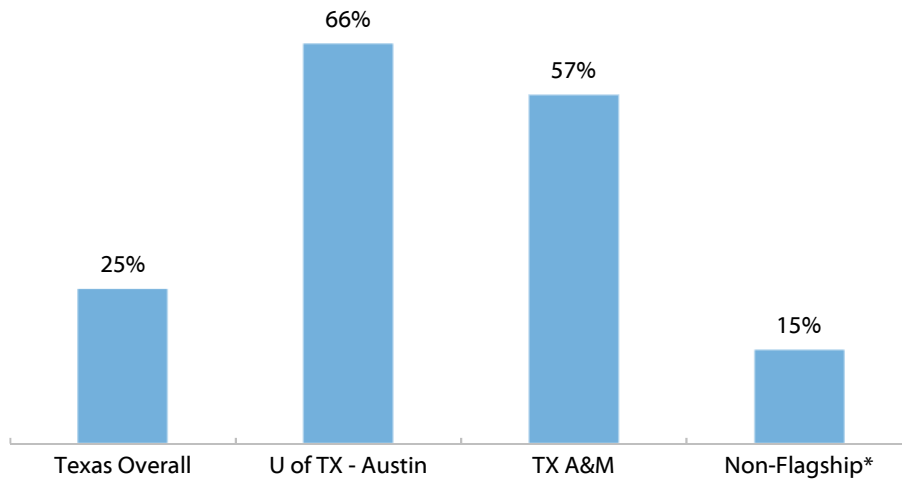
About four in five undergraduates at public four-year universities and eight out of ten at private four-year universities are under the age of 25. At public two-year colleges, 68 percent of students are under age 25. Proprietary schools and public two-year colleges have higher percentages of older undergraduates.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

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



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

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



While the majority of first-time students at Texas’ two public flagship universities – the University of Texas at Austin and Texas A&M University – are drawn from the top ten percent of Texas high school classes, the far majority of students at Texas public universities are not. Top ten percent graduates account for about 25 percent of all first-time Texas public university students and only about 15 percent\* of first-time students at the non-flagship universities, which account for about 82 percent of all Texas public university undergraduates. In fact, while top ten percent graduates are somewhat more likely than other students to enroll at a public university, they are in the minority at all non-flagship institutions.

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

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

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

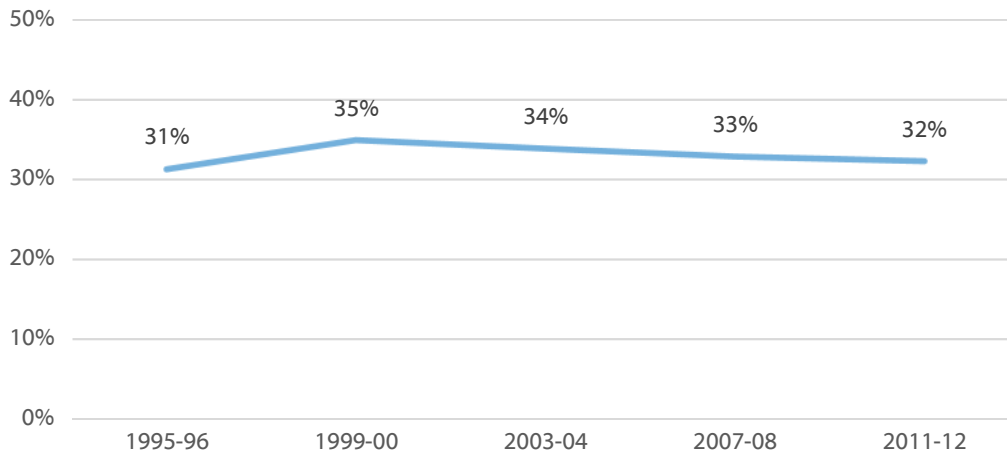
\*\*This is the number of non-flagship public universities for which the THECB had data on the percentage of top 10 percent enrollments. There are 39 Texas public universities in total.

Sources: Texas Higher Education Coordinating Board (THECB) 2016 higher Education Almanac Institutional Comparison Sheets (<http://www.thecb.state.tx.us/index.cfm?objectid=A44B548A-E50C-8417-E09BF83FC11EA1EF>); Non-flagship estimate: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Profile Reports Electronically Produced (PREP), Enrollment Statewide by Institution Type and Level ([http://www.txhighereddata.org/Interactive/PREP\\_New/](http://www.txhighereddata.org/Interactive/PREP_New/)).



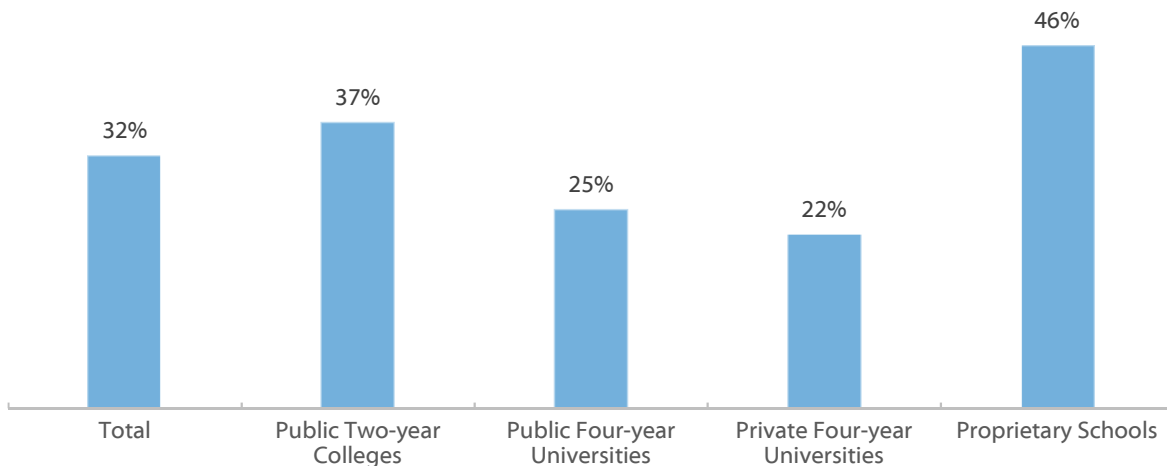
# First Generation Students Make Up About a Third of Undergraduate Enrollments

**Percent of Undergraduate Enrollment that is First Generation,\*  
Nationally by Year**



Students who are the first in their families to attend college make up about a third of undergraduates in higher education institutions across the U.S. This proportion has held fairly steady since at least the 1995-96 academic year. Nearly half of the students at proprietary schools are first generation, compared to about a quarter at public four-year and private four-year universities and over a third at public two-year colleges.

**Percent of Undergraduate Enrollment that is First Generation,\*  
Nationally by School Type for Academic Year 2011-12**



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

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



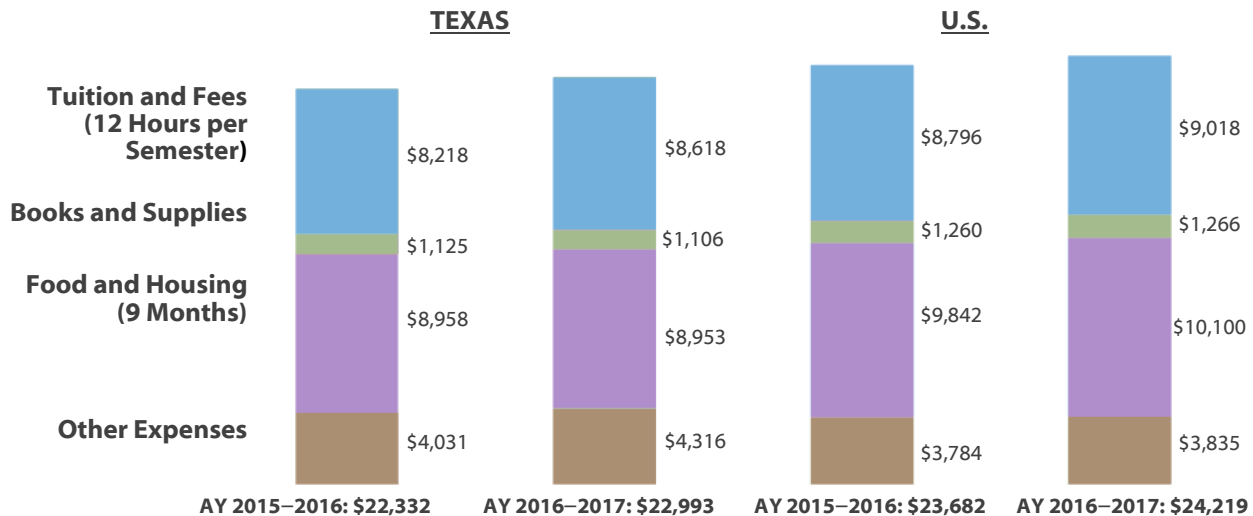
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**SECTION 4**

**Cost of Education and  
Sources of Aid in Texas**

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

**Weighted Average Public Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2015–2016 and AY 2016–2017)**



The tuition and fees charged to students, along with living expenses, books and supplies, transportation, and other expenses, constitute a school’s cost of attendance. From 2016 to 2017, total costs increased by \$661 in Texas and \$537 nationally. Weighted for enrollment,\* two semesters of full-time\*\* undergraduate education at a Texas public four-year university averaged \$22,993 in Award Year (AY) 2016–2017. This amount was \$1,226 less than the national average. Total expenses in Texas have been below the national average for many years. With the exception of the “other expenses” category, all types of costs in Texas are lower than their corresponding national averages. The primary expenses facing students are not tuition and fees but food and housing, which make up nearly 40 percent of the cost of attendance. These costs are not discretionary: students must eat, and unless they live with parents — and 68 percent of U.S. public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise about 58 percent of the student budget, while tuition and fees make up 37 percent.

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

\* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.  
 \*\* 12 semester hours or more.

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

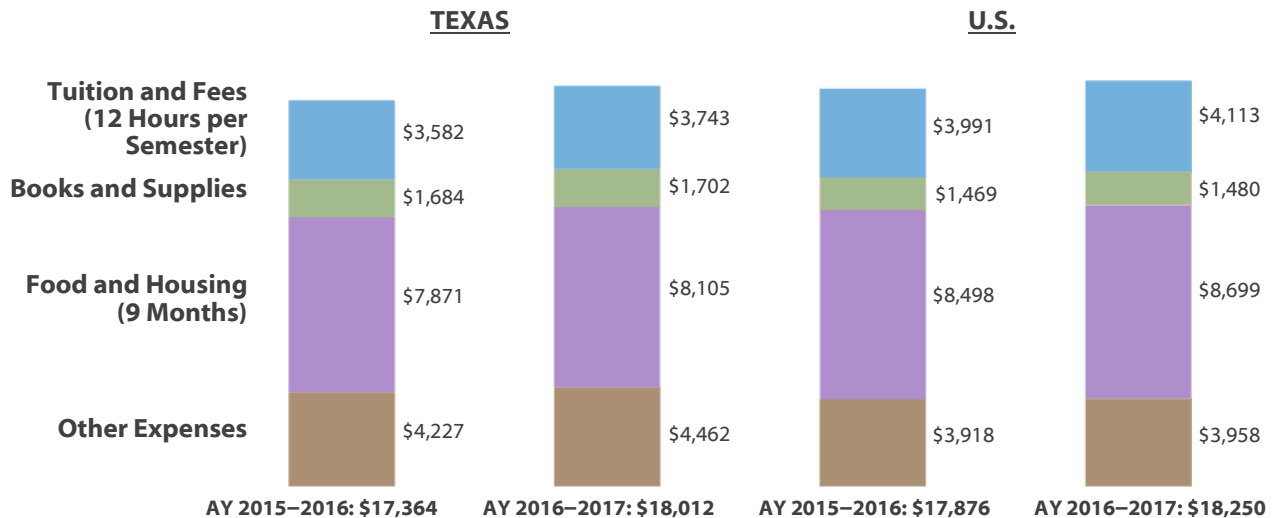
Sources: All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).





# Texas Public Two-year Colleges Cost Less Than National Average

**Weighted Average Public Two-year College Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S.  
(AY 2015–2016 and AY 2016–2017)**



Fifty-two percent of all Texas postsecondary students were enrolled in public two-year colleges in Award Year (AY) 2015-2016. The cost for two full-time\* semesters at Texas public two-year colleges, weighted for enrollment,\*\* averaged \$18,012 in AY 2016–2017. This is an increase of \$648 over the Texas average in AY 2015–2016 and is \$238 less than the AY 2016–2017 national average. Costs in all categories have increased in Texas and nationally since AY 2014–2015, with the largest increases occurring in the other expenses and the food and housing categories in Texas.

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

\* 12 semester hours or more.

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

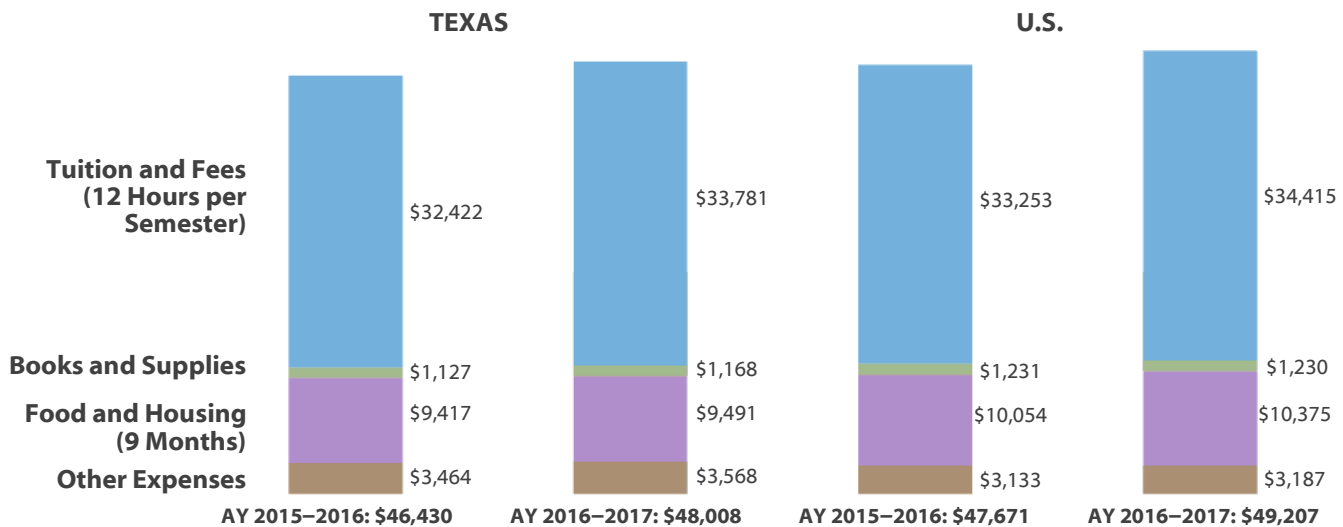
\*\*\* EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 31 percent of dependent undergraduates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

Sources: All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



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

**Weighted Average Private Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2015–2016 and AY 2016–2017)**



The increase from Award Year (AY) 2015–2016 to AY 2016–2017 of the average cost of attendance at private four-year universities in Texas, at \$1,578, was due almost entirely to an average \$1,359 increase in tuition and fees. Weighted for enrollment,\* the total cost of attendance for undergraduates at Texas private four-year universities for two full-time\*\* semesters averaged \$48,008 in AY 2016–2017. This is lower than the national cost of attendance for the same year, at \$49,207. The difference is mainly because tuition and fees in Texas are \$634 lower than the national average and food and housing costs in Texas are \$884 lower than the national average. Approximately eight percent of students in higher education in Texas in AY 2015–2016 enrolled in private four-year universities, versus 40 percent who enrolled in public four-year universities.

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

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

\*\* 12 semester hours or more.

\*\*\* EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 15 percent of dependent undergraduates enrolled at private four-year universities nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



# The Cost of Going to College Continues to Rise Each Year

## Change in Costs for Students Living Off Campus: Dollar and Percentage Change (AY 2015–2016 to AY 2016–2017, Costs Weighted for Enrollment\*)

Texas	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	\$400	5%	\$161	4%	\$1,359	4%
Books and Supplies	-\$19	-2%	\$18	1%	\$41	4%
Food and Housing	-\$5	0%	\$234	3%	\$74	1%
Other	\$285	7%	\$235	6%	\$104	3%
<b>Total Change</b>	<b>\$661</b>	<b>3%</b>	<b>\$648</b>	<b>4%</b>	<b>\$1,578</b>	<b>3%</b>

U.S.	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	\$222	3%	\$122	3%	\$1,162	3%
Books and Supplies	\$6	0%	\$11	1%	-\$1	0%
Food and Housing	\$258	3%	\$201	2%	\$321	3%
Other	\$51	1%	\$40	1%	\$54	2%
<b>Total Change</b>	<b>\$537</b>	<b>2%</b>	<b>\$374</b>	<b>2%</b>	<b>\$1,536</b>	<b>3%</b>

Weighted for enrollment,\* the total cost of attendance in all sectors in Texas and nationally increased between two and four percent between Award Year (AY) 2015–2016 and AY 2016–2017. By percentage, Texas had roughly equivalent or larger increases in all sectors compared to the nation.

The cost of attendance is the starting point for determining financial aid. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment and work patterns. To cut costs, many students enroll part time, work long hours, or both. In AY 2011–2012, 62 percent of all undergraduates nationwide attended less than full time/full year — that is, they either took fewer than 12 hours per semester or did not attend at least two semesters — and 66 percent worked while enrolled (27 percent of which worked full time\*\*). Full-time work and part-time enrollment are associated with each other and also with lower completion rates: 79 percent of U.S. undergraduates who work full time while enrolled attend less than full time/full year, slowing their academic progress.

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

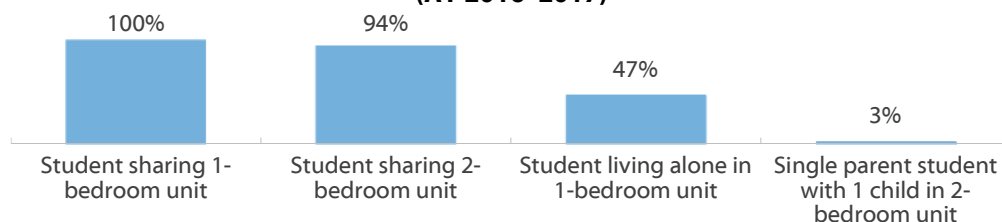
\*\* 35 or more hours per week; includes work-study/assistantship.

Sources: All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2015–2016: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2015 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



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

**Percentage of Texas Public Universities Where the Institution’s Room and Board Estimate Covers the USDA/HUD Food and Housing Cost Estimate, by Living Situation (AY 2016–2017)**



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

Using their knowledge of housing located in areas popular with students, Texas universities attempt to estimate the cost of food and housing that is modest but adequate. For the 2016–2017 Award Year (AY), this average estimate is \$8,830,\* or \$981 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on \$268 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting \$268 from \$981 leaves \$713 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to \$310,\*\* leaving \$671 for rent and utilities.

The U.S. Department of Housing and Urban Development (HUD) estimates the average nine-month cost of rent and utilities for a one-bedroom unit in the counties and Metropolitan Statistical Areas (MSAs)\*\*\* where Texas public universities are located to be \$6,731, or \$748 per month. Sharing housing lowers the cost: a shared one-bedroom costs \$374 per person and a shared two-bedroom costs \$464.

These data suggest that a thrifty student who is a savvy grocery buyer, cooks nearly all his meals, and shares housing should manage to stay within the institutional room and board estimate of \$981 per month. However, a student who shares all these traits and lives alone will probably not be able to stay within the estimate at about half of Texas universities. At 97 percent of Texas universities, the room and board estimate is too low for a single parent with a dependent. About 28 percent of U.S. undergraduates in AY 2011–2012 had dependent children, and about 15 percent were single parents.

**Average USDA/HUD Food and Housing Costs for Two Semesters (9 Months) for Counties and MSAs\*\*\* Where Texas Public Universities Are Located (AY 2016–2017)**

	Student sharing 1-bedroom unit	Student sharing 2-bedroom unit	Student living alone in 1-bedroom unit	Single parent student with 1 child in 2-bedroom unit
Food	\$2,408	\$2,408	\$2,408	\$3,614
Housing	\$3,366	\$4,179	\$6,731	\$8,358
<b>Total</b>	<b>\$5,774</b>	<b>\$6,587</b>	<b>\$9,139</b>	<b>\$11,972</b>

\*\$8,953 when weighted for enrollment; see glossary for clarification. \*\* Based on the cost at Conan’s Pizza near the University of Texas at Austin, February 2018. \*\*\* A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2016–2017: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2016 (<http://nces.ed.gov/ipeds/>); U.S. Department of Agriculture. "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, June 2017." (<http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2017 for Existing Housing, October 2017," (<http://www.huduser.org/datasets/fmr.html>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



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

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

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

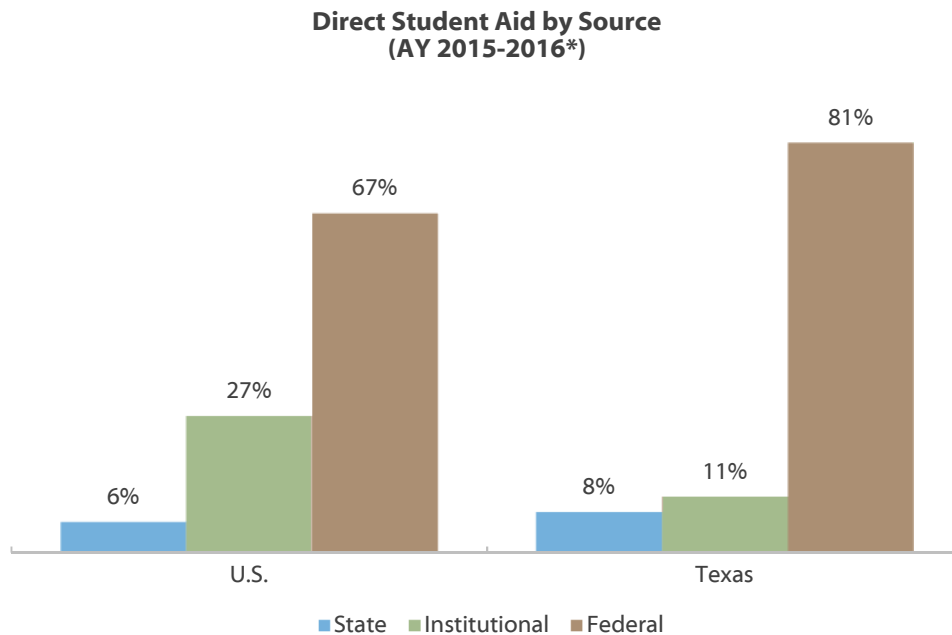
The federal definition of the cost of attendance (COA) includes tuition, fees, room and board (food, housing, transportation, and other miscellaneous costs of living), books, and supplies. The COA is important because it is part of the equation that helps determine how much financial aid students are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

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

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



# Texas Highly Dependent on Federal Government for Student Aid



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

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

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

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

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

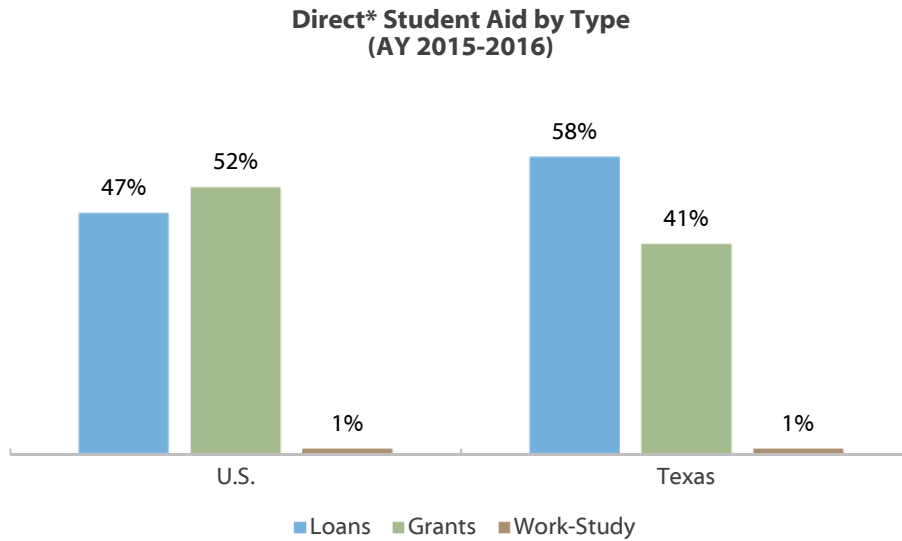
\*\*\* Includes the Texas Public Educational Grant (TPEG) for AY 2015–2016 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for AY 2011–2012.

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



# Texas Students Highly Dependent on Loans

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

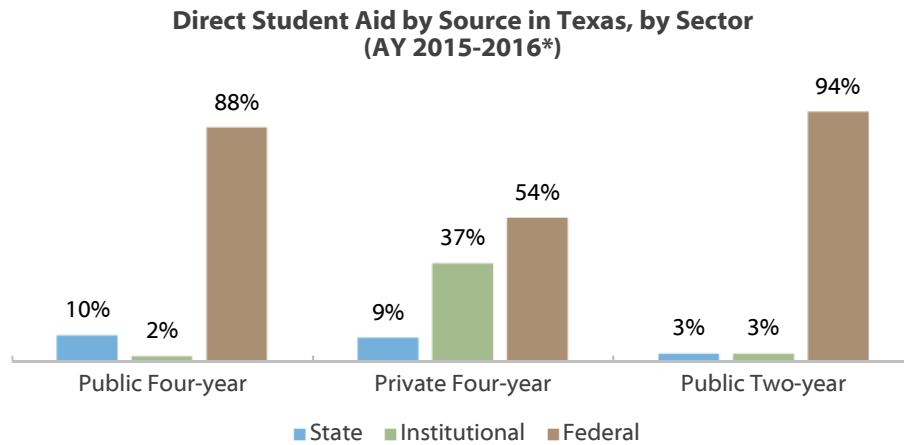
One percent of student aid in Texas and nationally comes from work-study dollars. The Federal Work-Study Program provides part-time jobs to students with financial need. Whether on campus or off campus, the program encourages employment related to the student’s course of study whenever possible.

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

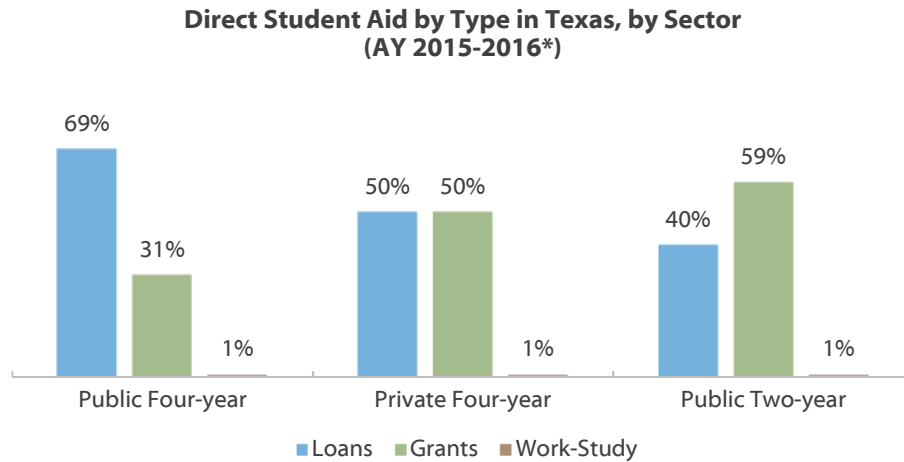
Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) “Annual Statistical Report 2013”, (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, “2015–16 Financial Aid Database,” Austin, Texas, (unpublished tables);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



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



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



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

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

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2013", (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "2015–16 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>).



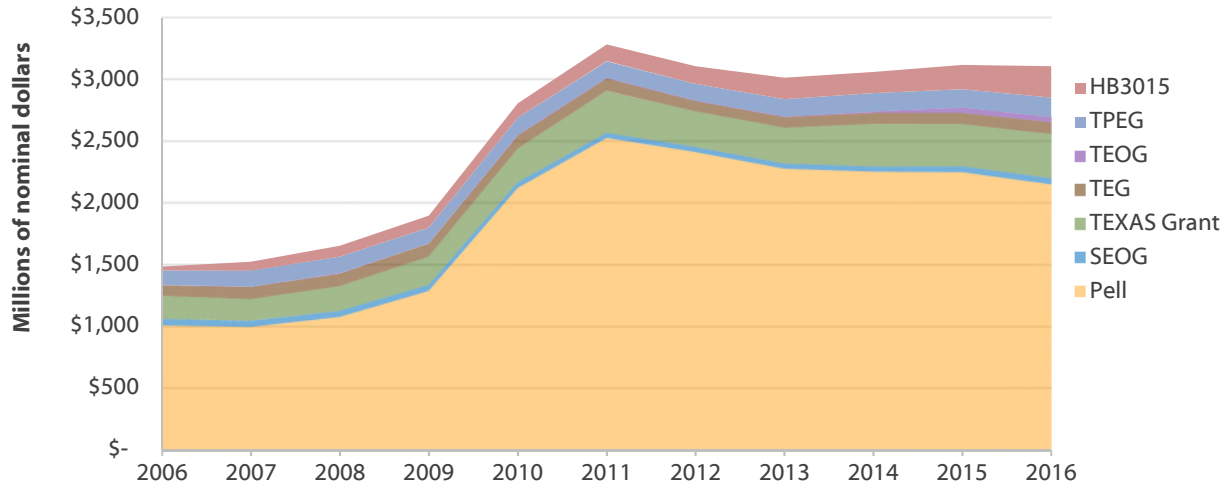


**SECTION 5**

**Grant Aid and Net Price in Texas**

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

**Total Grant Aid Awarded in Texas by Major Grant Program, by Fiscal Year\***



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

While the federal Pell Grant Program remains by far the largest source of grant aid in Texas, the total amount disbursed to Texas students has decreased steadily over the past five years. In the 2015–2016 award year (AY), about 591,000 undergraduate students received approximately \$2.15 billion in Pell grants. This was a decrease of about \$376 million, or 15 percent, from AY 2010–2011, largely due to there being significantly fewer recipients (see page 35).

Overall, state grant aid has increased somewhat over the past five years, though it declined significantly from FY 2011 to FY 2012. The Towards EXcellence, Access, and Success (TEXAS) Grant is by far the largest of the state grant programs, disbursing over \$358 million in FY 2015–2016. TEXAS Grants are available to students who meet a variety of financial and academic criteria, with priority consideration given to students who meet additional academic criteria and a priority filing deadline. As of Fall 2014, initial TEXAS Grants are awarded exclusively to baccalaureate students, although students in other academic programs may be eligible if they received the grant previously.

In FY 2015–2016, the Texas Educational Opportunity Grant (TEOG) – which serves financially needy students at public two-year colleges – saw a slight decrease in total disbursements over the prior year. TEOG disbursements decreased by \$4.5 million, or 8 percent, from FY 2014–2015, which had seen a huge increase (73 percent) from FY 2013–2014.

The Tuition Equalization Grant (TEG), which is available to financially needy students at private, non-profit institutions, increased somewhat (6.3 percent) in AY 2015–2016. The Texas Public Educational Opportunity Grant (TPEG), which public colleges and universities award to financially needy students out of tuition set asides, increased by \$11.7 million (8%).

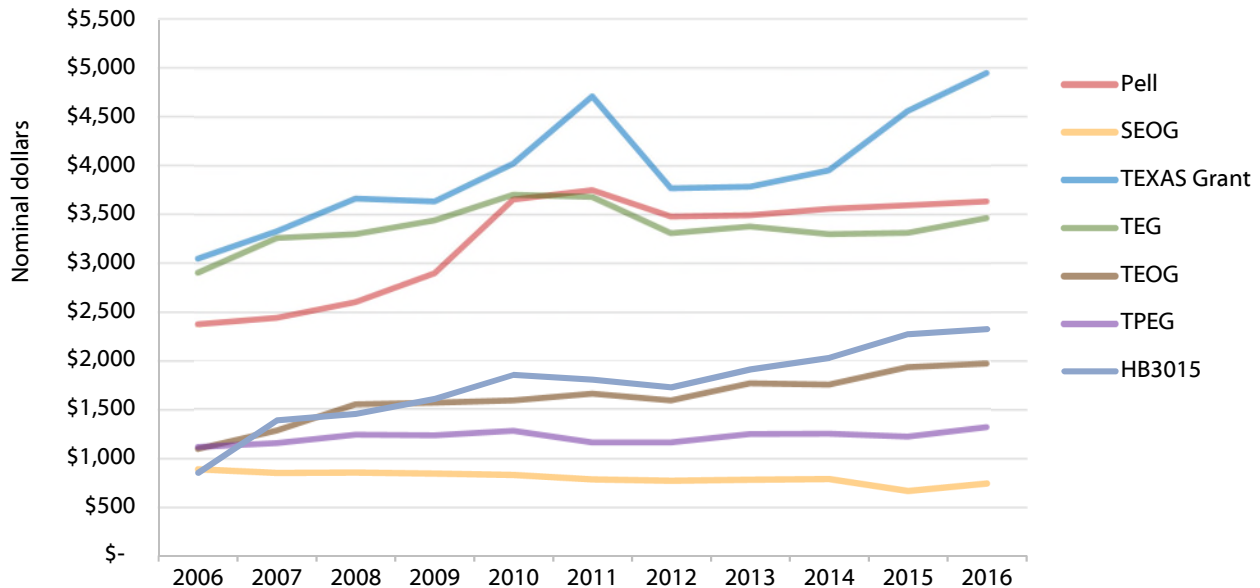
Aid issued under HB 3015, which requires institutions to “set aside” at least 15 percent of all tuition charges exceeding \$46 per semester credit hour (SCH) for financial aid to needy resident students, grew considerably between FY 2014–2015 and FY 2015–2016. About 109,000 resident undergraduate and graduate students received about \$254 million in HB 3015 aid in FY 2015–2016, up from 72,000 receiving \$165 million in FY 2014–2015. Growth in HB 3015 aid accounted for the majority of the overall growth in Texas grant aid from FY 2014–2015 to FY 2015–2016.

Sources: Pell and SEOG: U.S. Department of Education, Federal Student Aid Data Center (<http://studentaid.ed.gov/data-center>); TX programs: Texas Higher Education Coordinating Board (THECB) Report on Student Financial Aid for Texas Higher Education [Fiscal Years 2006 to 2016] (<http://www.thecb.state.tx.us/reports>); College for All Texans (<http://www.collegeforalltexas.com>)



# TEXAS Grant Has Highest Average Award

**Average Grant Award in Texas by Major Grant Program, by Fiscal Year**



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

The largest average grant award in Texas in fiscal year (FY) 2015-2016 was for the Towards EXcellence, Access, and Success (TEXAS) Grant at \$4,952, an increase of \$403 over the prior year. TEXAS Grants are available to students who meet a variety of financial and academic criteria, with priority consideration given to students who meet additional academic criteria and a priority filing deadline. As of Fall 2014, initial TEXAS Grants are awarded exclusively to baccalaureate students, although students in other academic programs may be eligible if they received the grant previously.

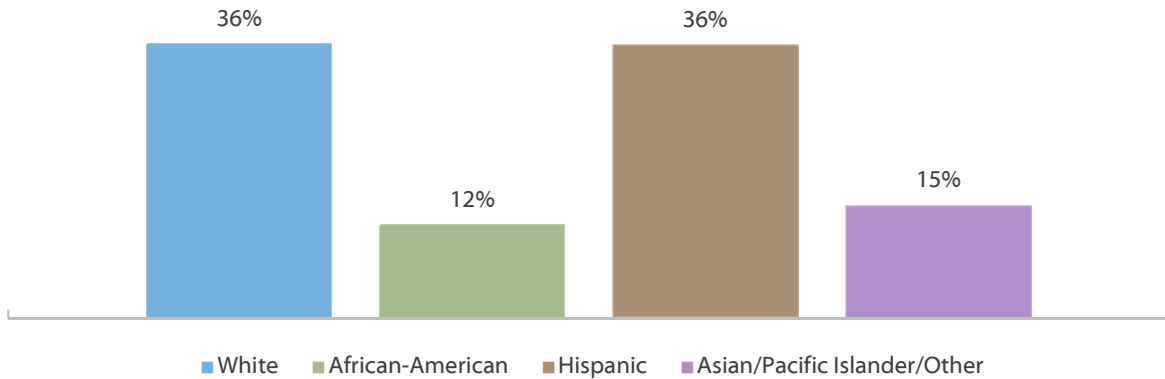
In AY 2015-2016 the average Pell grant in Texas increased by one percent, from \$3,597 to \$3,636, from the prior year; however, far fewer students received the grant. In AY 2015-2016, about 591,000 Texas postsecondary students received Pell grants, down about 34,000 (5.4 percent) from about 625,000 the prior year. Average HB 3015 grants and Texas Educational Opportunity Grants (TEOG) have increased over the past ten years, while average Texas Public Educational Opportunity Grants (TPEG) and Supplemental Educational Opportunity Grants (SEOG) have remained basically flat.

Sources: Pell and SEOG: U.S. Department of Education, Federal Student Aid Data Center (<http://studentaid.ed.gov/data-center>); TX programs: Texas Higher Education Coordinating Board (THECB) Report on Student Financial Aid for Texas Higher Education [Fiscal Years 2006 to 2016] (<http://www.thecb.state.tx.us/reports>); College for All Texans (<http://www.collegeforalltexas.com>)



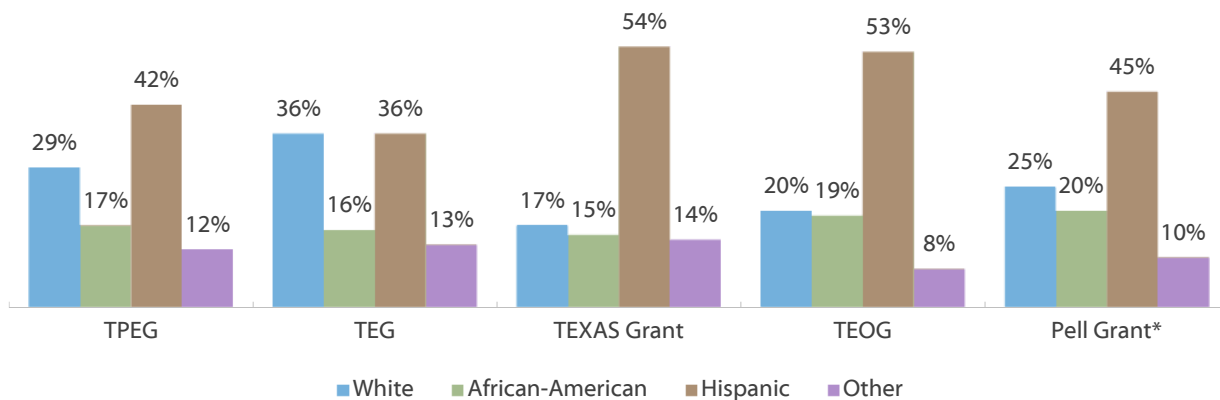
# Grant Recipients in Texas Are Racially/Ethnically Diverse

Fall 2016 Enrollment in Texas Higher Education, by Ethnicity



The allocation of grant aid in Texas reflects the racial/ethnic diversity of the state. About 72 percent of Texas Educational Opportunity Grant (TEOG) and 69 percent of Toward EXcellence, Access, and Success (TEXAS) Grant recipients are either Hispanic or African-American. The Texas Public Educational Grant (TPEG) and Tuition Equalization Grant (TEG) serve somewhat fewer Hispanic and African-American students — 59 percent and 52 percent, respectively. The percentage of TPEG and TEG recipients who are Hispanic or African-American students has risen slowly over time, likely reflecting the steadily rising proportion of these students enrolled at public and private four-year colleges and universities.

Fiscal Year 2015-2016 Grant Program Recipients by Ethnicity



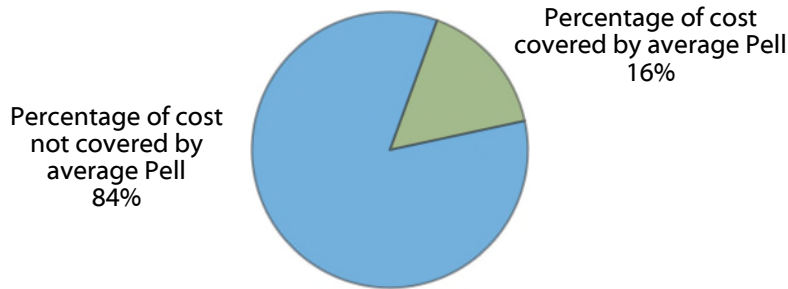
\*Pell grant data did not disaggregate "Asian/Pacific Islander" from "Other", so both are included in "Other".

Sources: Enrollment by ethnicity: U.S. Dept of Education, National Center for Education Statistics, IPEDS (<https://nces.ed.gov/ipeds/>); Texas grant programs: THECB Report on Student financial Aid in Texas Higher Education for Fiscal Year 2016 (<http://www.thecb.state.tx.us/reports/PDF/10152.PDF>); Texas Pell Grant: THECB Financial Aid Database 2015-2016 [unpublished tables].



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

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



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

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

The buying power of the federal Pell Grant, the largest grant program in the U.S. and in Texas, has declined over the last three decades. Designed to be the foundation of need-based grant aid, only undergraduates with significant financial need receive the Pell grant; however, in Award Year (AY) 2015–2016 (the most recent year for which fully updated data were available), the average Pell grant in Texas covered only 16 percent of the average cost of attendance (COA; tuition, fees, room, board, and other basic expenses) for eligible undergraduates at public four-year universities in Texas. While the average Pell grant tends to increase from one year to the next, these increases generally fail to keep pace with increases in the cost of college.

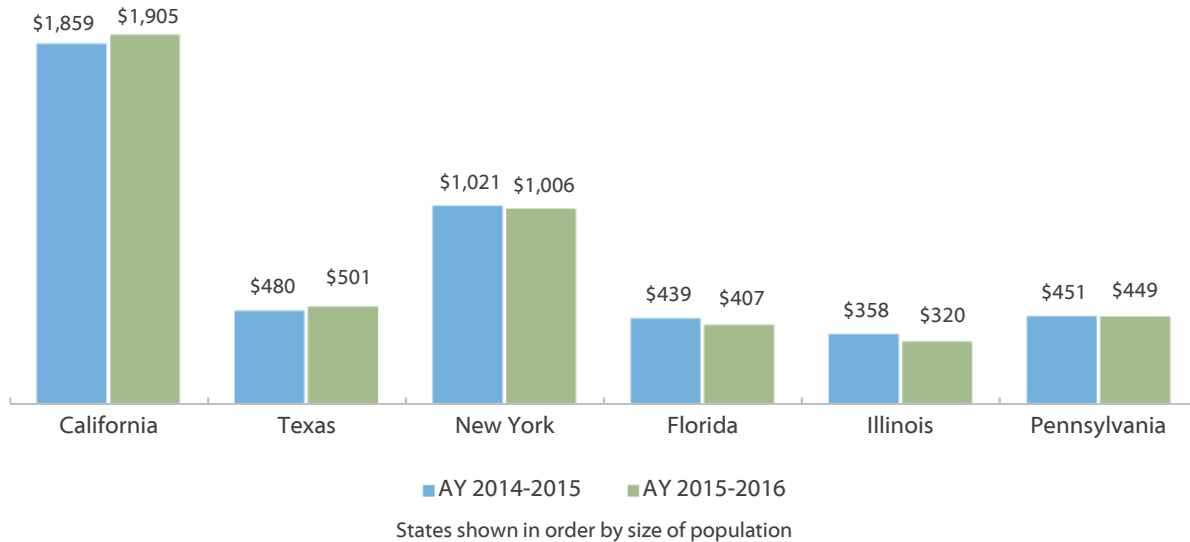
The maximum Pell grant for AY 2015–2016 was \$5,775 and increased to \$5,920 for AY 2017-2018. This \$145 increase over the last two years is based on the Student Aid and Fiscal Responsibility Act (SAFRA), which provides for automatic changes to the maximum Pell grant based on changes in the Consumer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

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



# Texas State Grant Aid Increases

Total State Grant Aid (millions of current dollars)



In Award Year (AY) 1996–1997, Texas spent only \$48 million in state grant aid, the lowest among the six most populous states despite having the second largest population of postsecondary students. State grant aid began to increase significantly with the establishment of the Toward EXcellence Access, and Success (TEXAS) Grant Program in 1999; however, Texas still ranks second to last in state grant aid among the most populous states. In AY 2015–2016, Texas spent about \$501 million on grant aid for postsecondary students, just over a quarter of what was spent by California and under half of what was spent by New York.

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

Although primarily need-based, eligibility for the TEXAS Grant also involves substantial academic components. To receive a TEXAS Grant, a student must have 1) completed either the Recommended High School Program (RHSP; the default curriculum) or Distinguished Achievement Program (DAP) in Texas and enrolled in an undergraduate program in a Texas college or university within 16 months or 2) have earned an associate degree from a public technical, state, or community college in Texas no earlier than May 1, 2001 and enrolled in any public university in Texas no more than 12 months after receiving the associate degree. To remain eligible for the grant, the student must maintain a grade point average (GPA) of at least 2.5 on a 4.0 scale, meet Satisfactory Academic Progress (SAP) requirements, and complete at least 24 credit hours per award year.

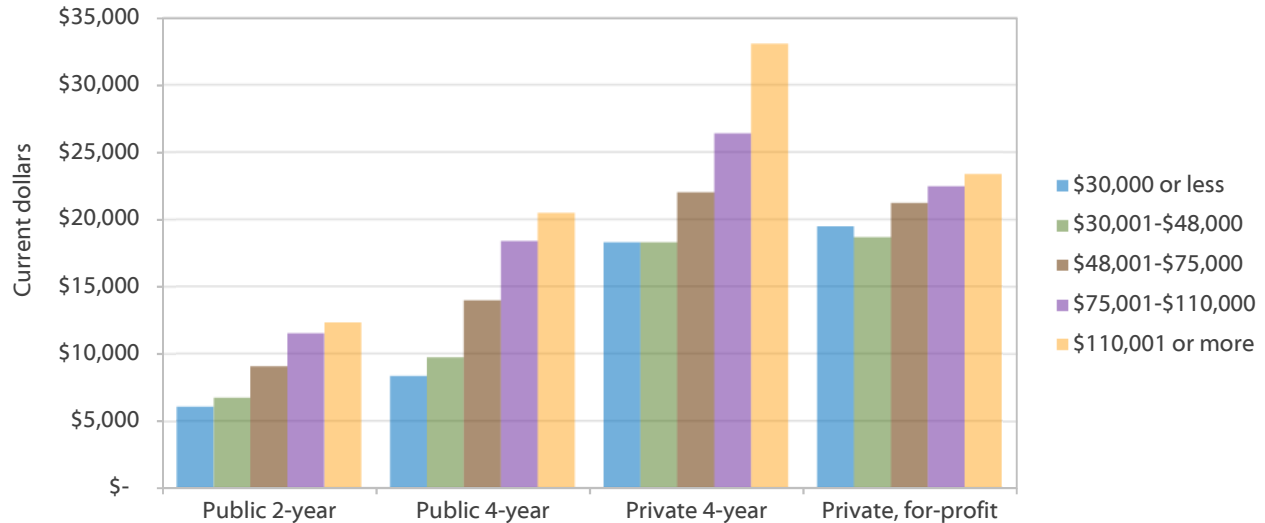
As funds are generally inadequate to award full grants to all eligible students, initial year TEXAS Grants are awarded on a priority basis. Eligible students receive priority consideration if they meet a priority filing deadline and at least two of four conditions related to high school academic performance.

Source: TEXAS Grant shortfall: THECB, “Recommendations Relating to the Feasibility Study for Restructuring Texas Student Financial Aid Programs, November 2008” (<http://www.thecb.state.tx.us/reports/PDF/1671.PDF>); All other: National Association of State Student Grant and Aid Programs. 45nd Annual Survey Report on State-Sponsored Student Financial Aid. 2016 ([http://www.nassgap.org/survey/state\\_data\\_check.asp](http://www.nassgap.org/survey/state_data_check.asp)).



# Net Price of Attendance for Lowest-Income Public Four-year Undergraduates in Texas Is More Than \$8,300

**Average Net Price for Full-time, First-time Undergraduates in Texas by Sector and Income Quintile (AY 2015-2016)**



The net price of attendance for a student at an institution of higher education is defined as the student’s cost of attendance\* minus the total grants and scholarships he or she receives from any sources: in essence, the amount that a student (and/or family) must pay either out of pocket or with student loans. In Award Year (AY) 2015–2016, the average\*\* net price of attendance for students with the lowest incomes\*\*\* was \$6,041 (a decrease of two percent from the previous year) in the public two-year sector, \$8,345 (flat from the previous year) in the public four-year sector, \$18,284 (a decrease of one percent) in the private four-year sector, and \$19,463 (flat from the previous year) in the for-profit sector.

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

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

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

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

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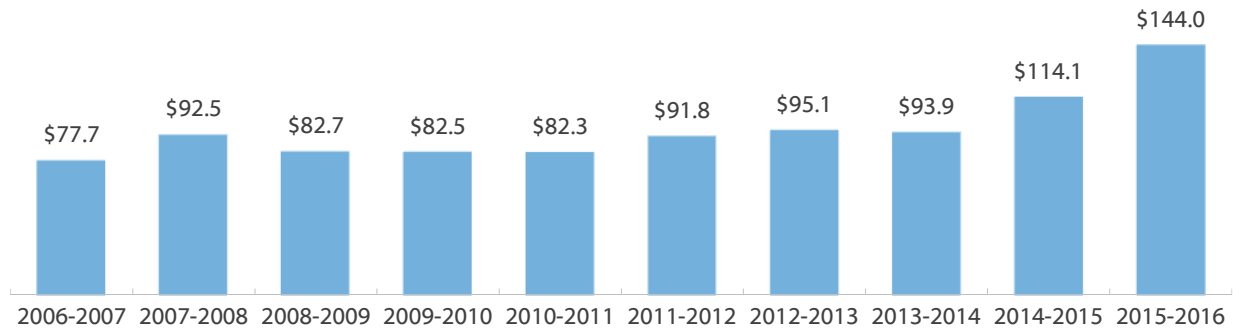


**SECTION 6**

**Loans**

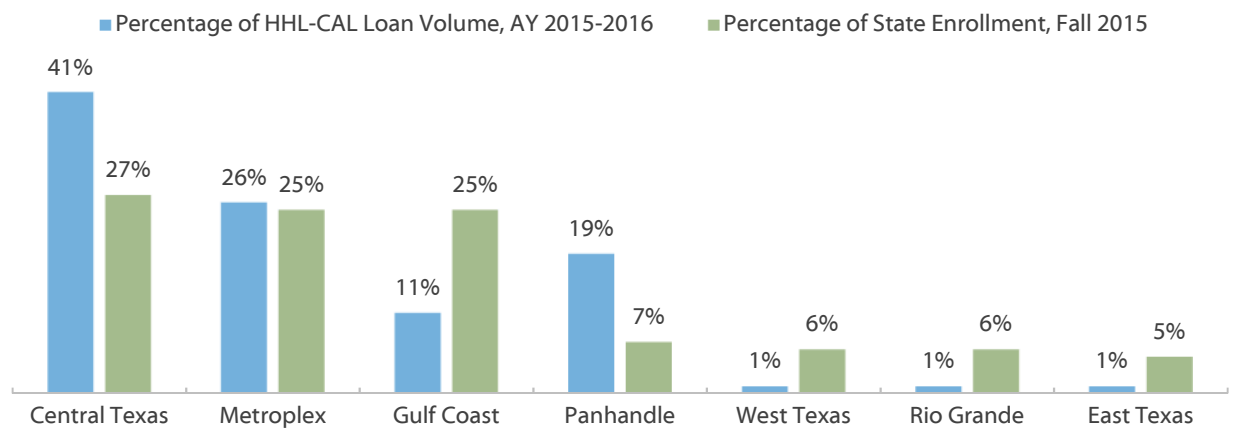
# Volume for the Largest State Loan Program, HHL-CAL, Increases Dramatically

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



The Hinson-Hazlewood College Access Loan (HHL-CAL) is the largest of the loan programs that the State of Texas offers for students. Recipients are not required to demonstrate financial need to receive HHL-CAL loans. A student may borrow up to the cost of attendance at his or her institution, minus any other financial aid he or she is receiving. In AY 2015-2016 HHL-CAL awards totaled \$144.0 million, a dramatic 26 percent increase over the previous year. This marks the second year of dramatic increases in award totals for this loan program.

HHL-CAL Volume and Enrollment by Region



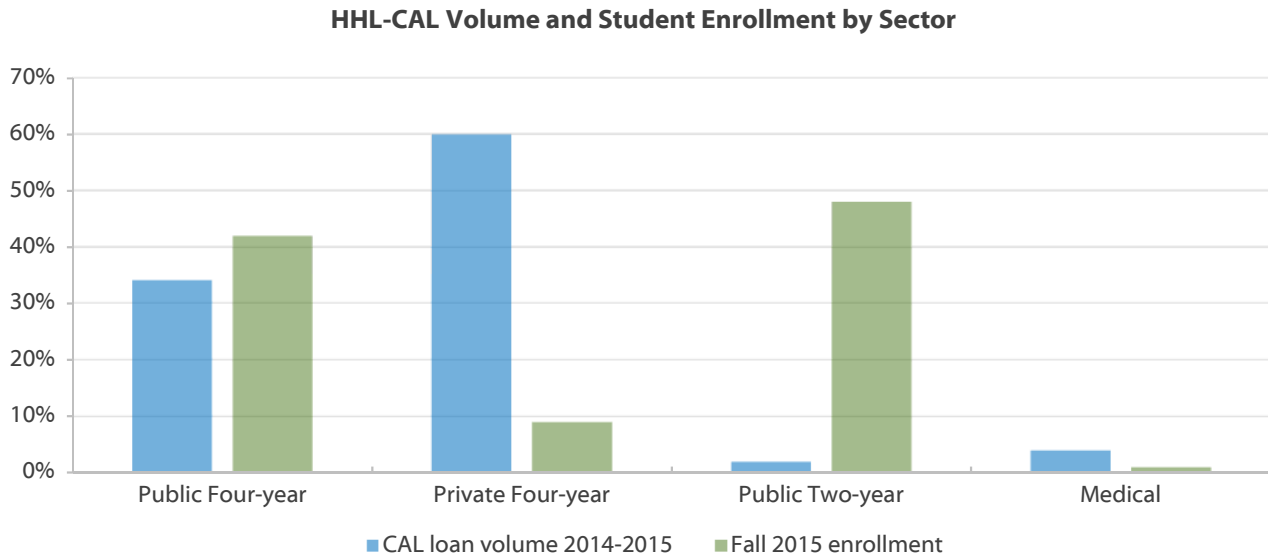
In AY 2015–2016, 41 percent of the HHL-CAL dollars went to students attending schools in the Central Texas region. Although Central Texas comprises only 27 percent of Texas enrollment, it is home to the state’s two flagship universities, the University of Texas at Austin and Texas A&M University. The Metroplex region received approximately the same percentage of HHL-CAL dollars as it represented in student enrollment. All other regions, except for the Panhandle region, received a smaller percentage than their share of the state’s enrollment.

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

Source: Loan volume: Texas Higher Education Coordinating Board (THECB), “Financial Aid Database for AY 2015–2016,” Austin, Texas, 2017 (Unpublished tables); Data on loan terms and loan eligibility: THECB, “College for Texans” Website (<http://www.collegeforalltexans.com/apps/financialaid/tofa.cfm?Kind=L>); Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>).



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



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

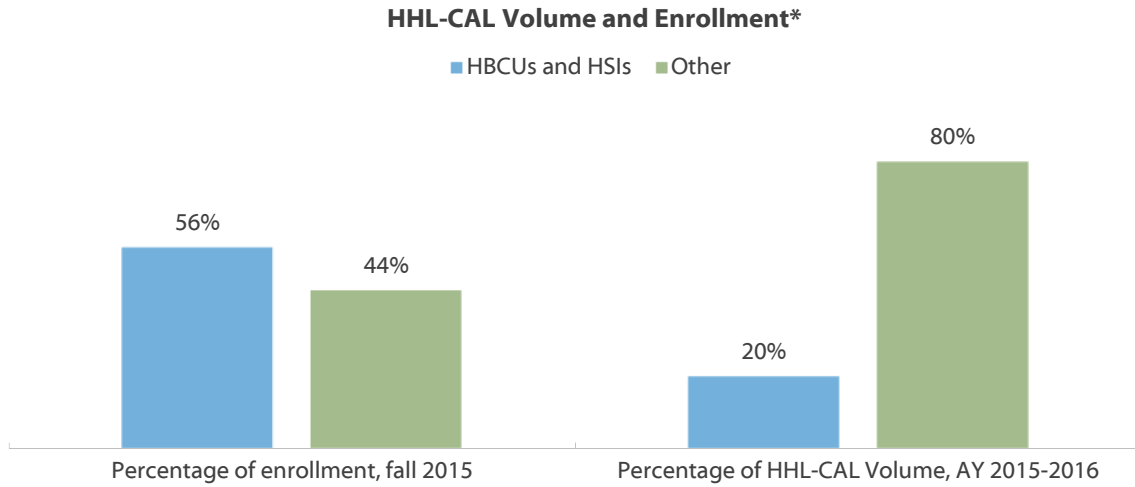
However this trend has been reversing in recent years. In AY 2015–2016, 34 percent of HHL-CAL dollars went to students attending public four-year institutions, and this sector accounted for 42 percent of student enrollment. Private four-year students accounted for 9 percent of enrollment in Texas postsecondary institutions, but 60 percent of HHL-CAL volume. Similarly, public two-year students accounted for 48 percent of enrollment, but only 2 percent of HHL-CAL volume. This disproportionate pattern is at least partially because the cost of attendance at public two-year schools is generally lower than at four-year schools.

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

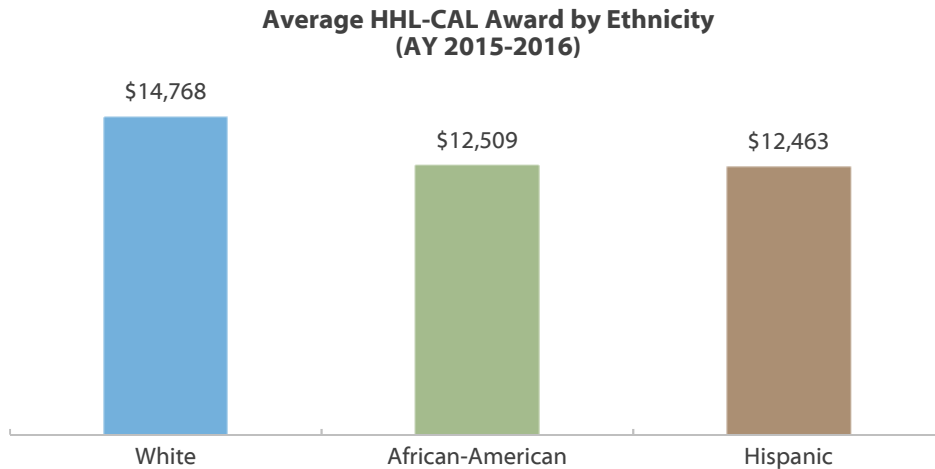
Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database, 2015-2016," Austin, Texas, 2017 (Unpublished tables); Public Enrollment: THECB. "PREP Online" ([http://www.txhighereddata.org/Interactive/PREP\\_New](http://www.txhighereddata.org/Interactive/PREP_New)).



# HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 82 Hispanic-Serving Institutions (HSIs). In Award Year (AY) 2005–2006, HBCUs and HSIs comprised 33 percent of total Texas enrollment and received 14 percent of Hinson-Hazlewood College Access Loan (HHL-CAL) dollars. In AY 2015–2016, HBCUs and HSIs comprised 56 percent of total Texas enrollment and received 20 percent of HHL-CAL dollars. This gap has widened compared to last year as the enrollment at HBCUs and HSIs makes up a larger portion of the overall higher education enrollment.



The average HHL-CAL award differed across ethnic groups in AY 2015–2016. White students on average borrowed about \$2,259 more than African-American students and \$2,305 more than Hispanic students.

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

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2015–2016." Austin, Texas, 2017 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>). HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, unpublished report (special request).



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

## Top Schools by Region (AY 2016–2017)

### Panhandle\*

1. Texas Tech University	\$163 Million
2. Texas Tech University Health Sciences Ctr	\$70
3. West Texas A&M University	\$45
4. Abilene Christian University	\$34
5. Midwestern State University	\$32

\* Top 5 Schools Account for 75% of Volume

### Metroplex\*

1. University of Texas at Arlington	\$237 Million
2. University of North Texas	\$196
3. Southern Methodist University	\$79
4. Texas Woman's University	\$79
5. Texas A&M University - Commerce	\$72

\* Top 5 Schools Account for 50% of Volume

### West\*

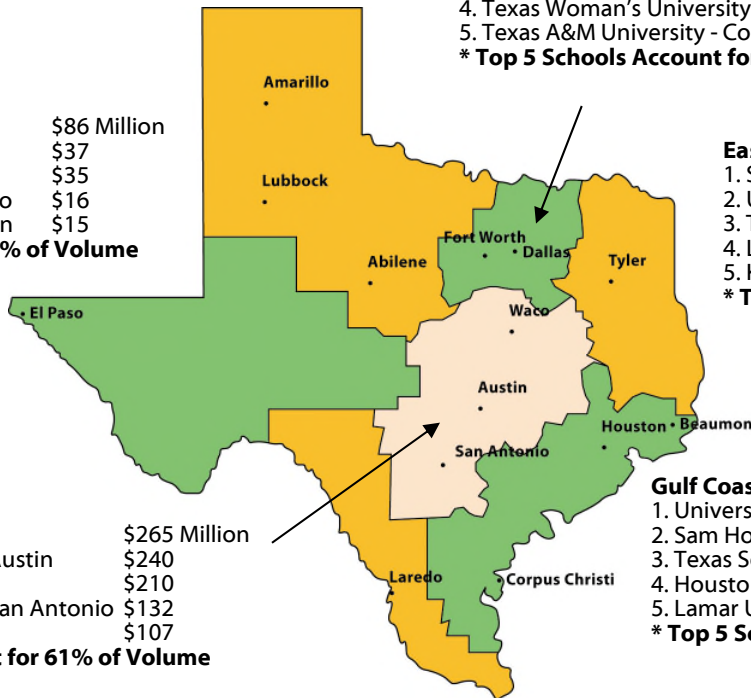
1. University of Texas El Paso	\$86 Million
2. Vista College	\$37
3. Angelo State University	\$35
4. Southwest University at El Paso	\$16
5. U of Texas of the Permian Basin	\$15

\* Top 5 Schools Account for 81% of Volume

### East\*

1. Stephen F. Austin State Univ.	\$84 Million
2. University of Texas at Tyler	\$48
3. Tyler Junior College	\$22
4. LeTourneau University	\$19
5. Kilgore College	\$12

\* Top 5 Schools Account for 74% of Volume



### Central\*

1. Texas A&M University	\$265 Million
2. University of Texas at Austin	\$240
3. Texas State University	\$210
4. University of Texas at San Antonio	\$132
5. Baylor University	\$107

\* Top 5 Schools Account for 61% of Volume

### Gulf Coast\*

1. University of Houston	\$181 Million
2. Sam Houston State University	\$115
3. Texas Southern University	\$97
4. Houston Community College	\$82
5. Lamar University	\$79

\* Top 5 Schools Account for 45% of Volume

### Rio Grande\*

1. University of Texas–Rio Grande Valley	\$70 Million
2. Texas A&M International University	\$21
3. University of Texas at Rio Grande Valley	\$5
4. South Texas Vocational Technical Institute	\$5
5. Southwest Texas Junior College	\$3

\* Top 5 Schools Account for 91% of Volume

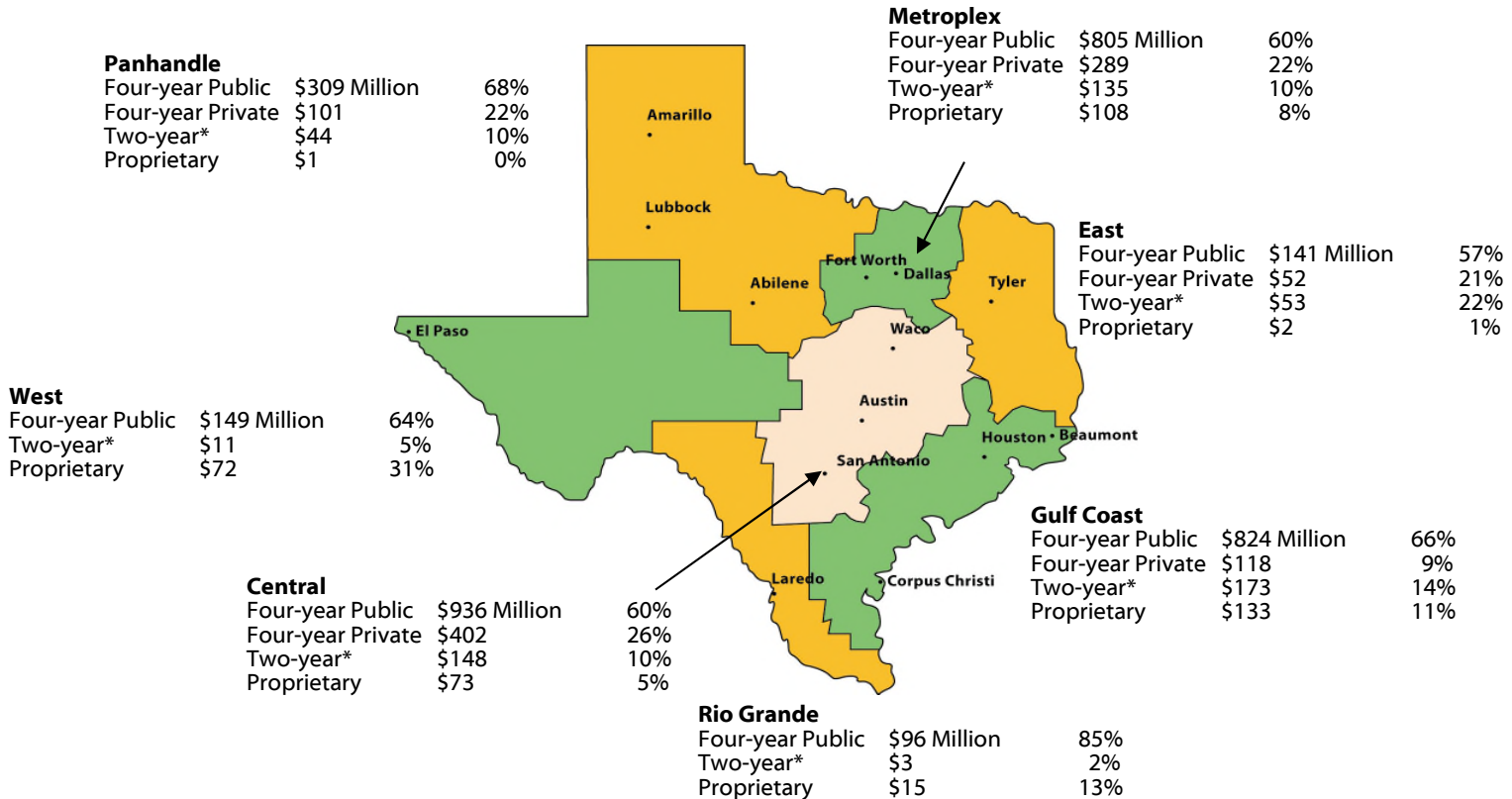
In the rural areas of the state, Award Year (AY) 2016–2017 Federal Direct Loan Program (FDLP) volume remains concentrated among a few schools. In regions that contain the state's largest cities, loan volume is more widely distributed. For example, in the Rio Grande region, five schools account for 91 percent of regional loan volume, while in the Gulf Coast region the five schools with the largest loan volume account for less than half of regional volume. This is most likely due to the greater number of school choices that exist in the more urbanized regions of the state.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



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

**Federal Loan Volume by Region and School Type  
In Millions of Nominal Dollars  
(AY 2016–2017)**



Four-year public school volume makes up the largest share of the volume in all regions. Proprietary school volume exceeds two-year\* school volume in two regions. In Award Year (AY) 2016–2017, public four-year schools accounted for 63 percent of the state’s Federal Direct Loan Program (FDLP) volume. Four-year private school volume accounted for 19 percent, two-year\* school volume accounted for 11 percent, and proprietary school volume accounted for 8 percent of total FDLP volume in Texas.

**Texas Federal Loan Volume by School Type  
AY 2016–2017**

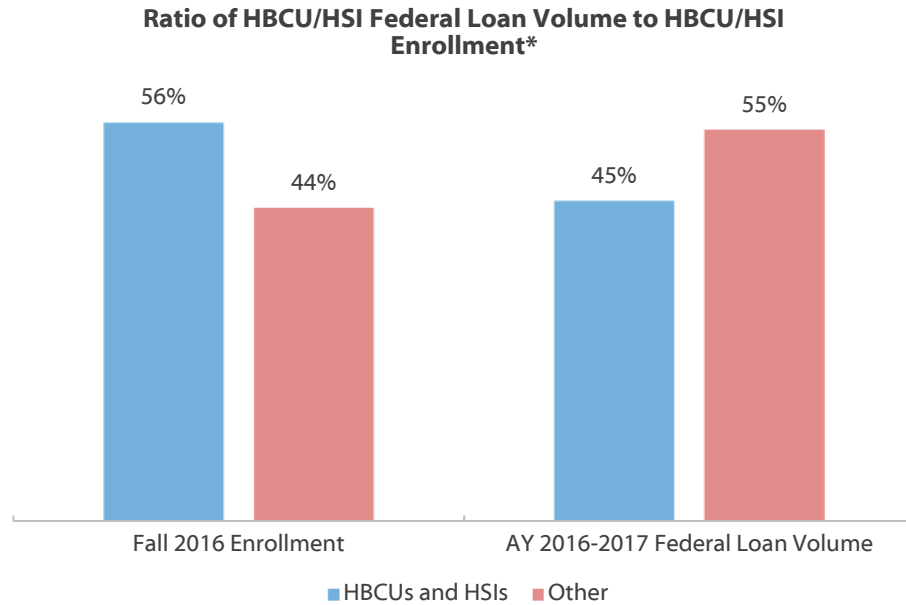
School Type	Amount (in Millions)	% of Amount
Public Four-year	\$3,259	63%
Private Four-year	\$962	19%
Two-year*	\$566	11%
Proprietary	\$403	8%

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

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



# HBCU and HSI Federal Loan Volume Is Proportionally Less Than Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 82 Hispanic Serving Institutions (HSIs). HBCUs and HSIs accounted for 56 percent of total Texas enrollment in fall 2016 while generating 45 percent of Award Year 2016–2017 Federal Direct Loan Program (FDLP) volume.

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

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

\*Does not include proprietary schools for volume or enrollment.

Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>); Loan Volume: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>); HBCUs: U.S. Department of Education, Office for Civil Rights database, "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, unpublished report (special request).

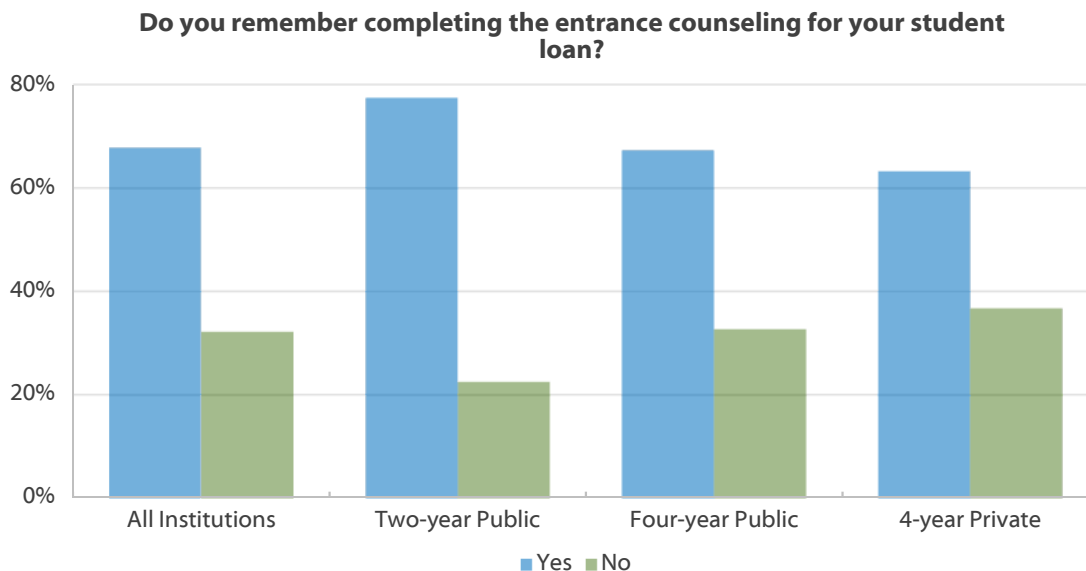


# One Third of Public Four-year Students Do Not Remember Completing Entrance Counseling

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

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

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



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

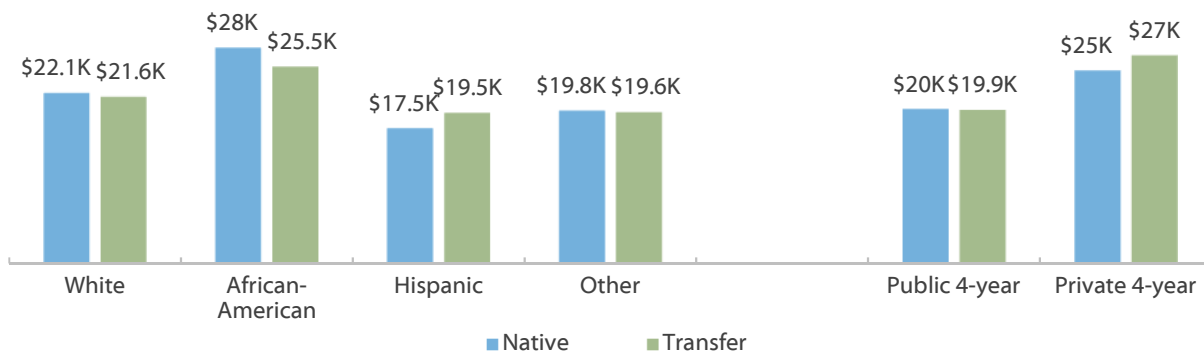
Sources: NASFAA member poll: National Association of Student Financial Aid Administrators, Financial Aid Administrators Discuss Loan Counseling Challenges (2012) ([https://www.nasfaa.org/news-item/1907/Financial\\_Aid\\_Administrators\\_Discuss\\_Loan\\_Counseling\\_Challenges](https://www.nasfaa.org/news-item/1907/Financial_Aid_Administrators_Discuss_Loan_Couns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



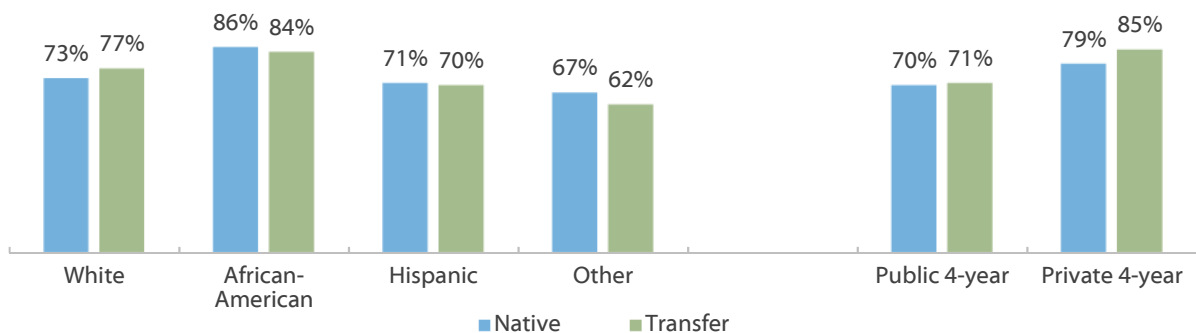


# Transfer Students Borrow About as Often and Nearly as Much as Native Students

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



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



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

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

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



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**SECTION 7**

**Need and Work**

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

**Average Unmet Need for Students in Texas by Income Category and Sector (Fall 2015)**



**Average EFC for Students in Texas by Income Category and Sector (Fall 2015)**



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

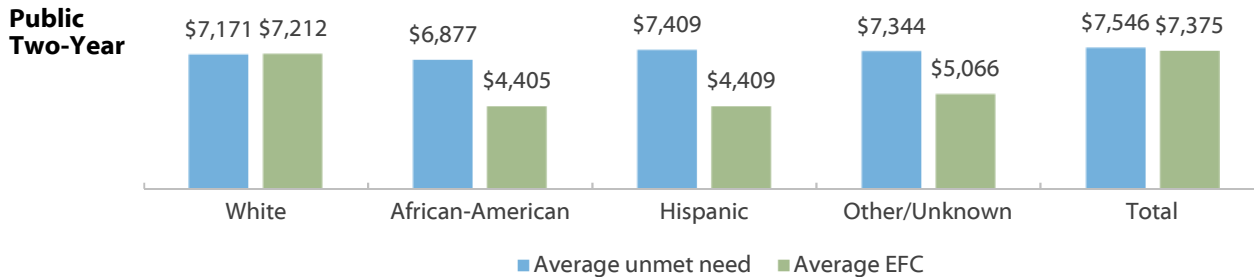
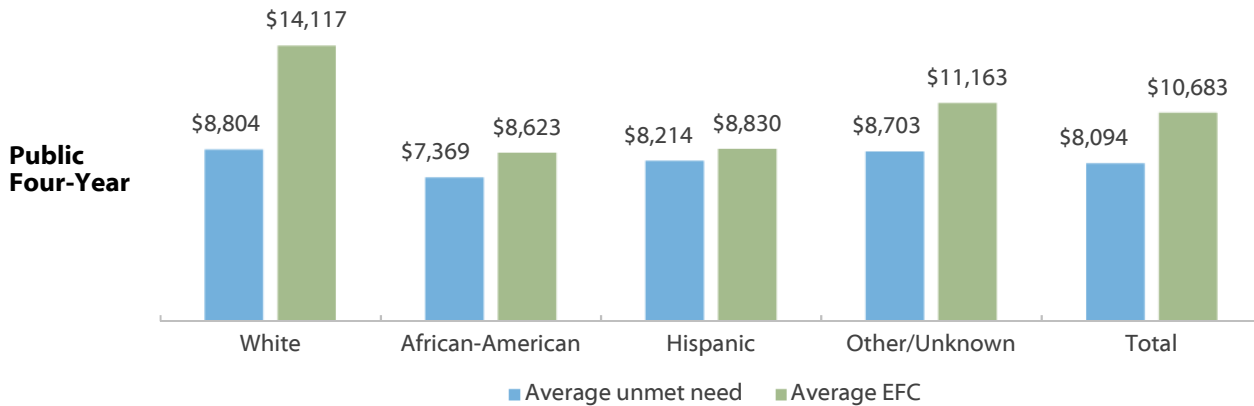
The lowest-income students in Texas tend to have the highest unmet need; in 2015, average unmet need for this group was about \$8,889 statewide. At private four-year schools, this group experienced average unmet need of over \$12,000. Besides having greater financial resources to contribute to EFC, those in the highest income category are more likely to attend more expensive four-year institutions, which further increases EFC. Data on students who attended proprietary institutions are not available.

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

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

# Community College Students Expected to Pay Far Less But Have Almost As Much Unmet Need

**Average Unmet Need and Average EFC\* by Race/Ethnicity for Texas Public Institutions (Fall 2015)**



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

\* “Unmet need” is the gap that remains between a student’s resources and his/her total cost of attendance even after accounting for both grant and loan aid and EFC.

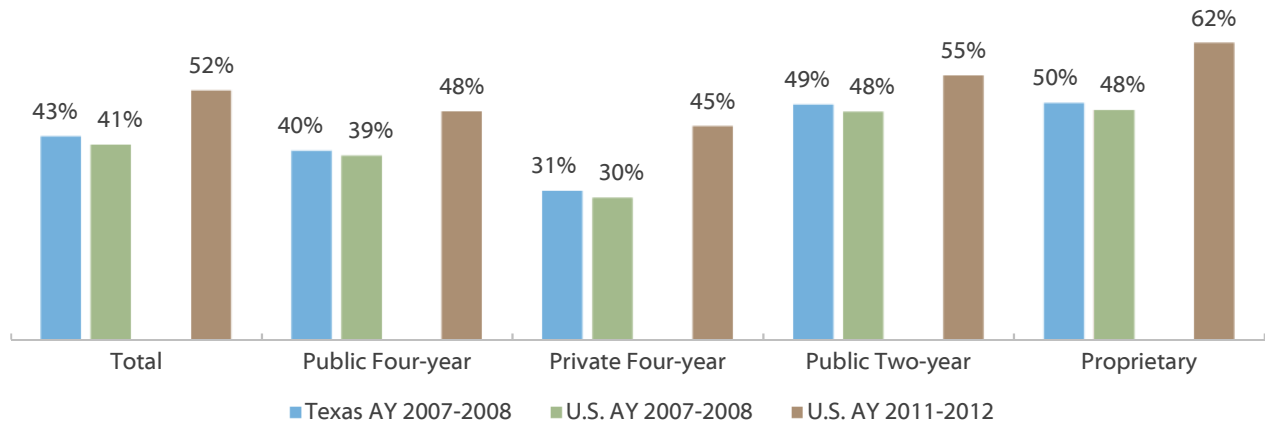
\*\*EFC is the formulaically determined amount that the student can reasonably be expected to pay out of pocket.

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



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

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

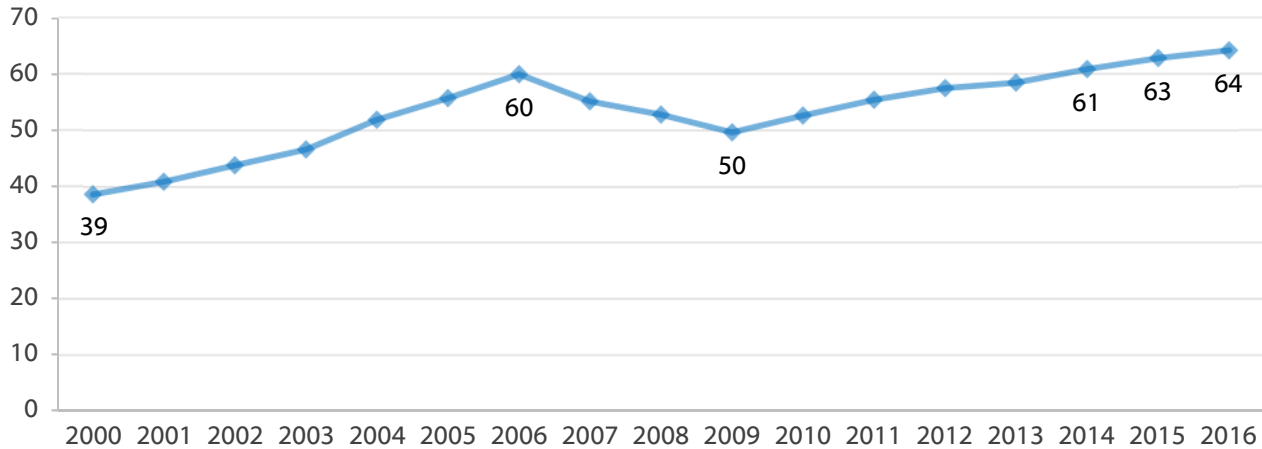


Both nationally and in Texas, students at public two-year and at proprietary institutions were more likely to carry a credit card balance, followed by students at public four-year and private four-year institutions. Undergraduates in all sectors nationally were considerably more likely to carry credit card debt in award year (AY) 2011-2012 than in AY 2007-2008. This increase likely has several causes: more expensive tuition costs, reductions in funding for state and institutional aid programs, and economic factors like low wages. As of AY 2011-2012, 52 percent of undergraduates nationally carried balances on their credit cards. Given that Texas undergraduates carried credit card balances at slightly higher rates than the national average in AY 2007-2008, it is likely that more than half of Texas undergraduates carried credit card balances as of AY 2011-2012.

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

# Paying for A Bachelor's Degree Through Work Alone Would Require 64 Hours per Week at Minimum Wage

**Hours of Minimum Wage Work per Week Needed to Pay for an Average Texas Public University Undergraduate Education (2000 to 2016)**



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

In the early 1980s, as the cost of education began to climb and the minimum wage increased less frequently, the number of work hours needed to pay for an education began to rise. By 1989, students earning the then-minimum wage of \$3.35 per hour had to work 39 hours per week to cover the national average undergraduate budget. The hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century. The national average has since climbed to all-time high of 70 hours per week as of 2016.

The cost of attendance tends to be lower in Texas, which means fewer hours of work per week would be needed to pay for college. In 2016-2017, an in-state, residential undergraduate would have had to work 64\*\* hours every week of the year to pay for two semesters at a Texas public university. This is a slight increase from 2014 of 3 hours and a continuation of the upward trend beginning in 2010, which reflects the period of annual minimum wage increases (2006-2009) coming to an end.

\*Using Postsecondary Education Opportunity methodology, the Award Year (AY) 2016–2017 average in-state student budget at a U.S. public university is estimated at \$24,861. In 2016, the minimum wage was \$7.25 per hour, with 6.2 percent taken out for Social Security. At a net of \$6.80 per hour, a full-time student with no other financial aid or assets would have to work 3,656 hours per year, or 70 hours per week, to put him or herself through school.

\*\*The average student budget for an in-state, residential student at a Texas public four-year university in AY 2016–2017 was \$22,706. At a net of \$6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 3,339 hours per year, or 64 hours per week, to put him or herself through school.

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



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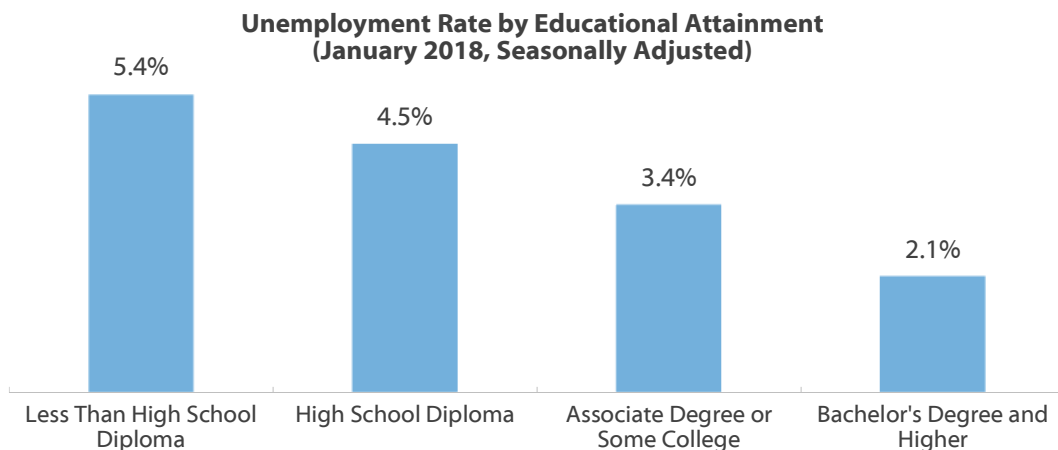
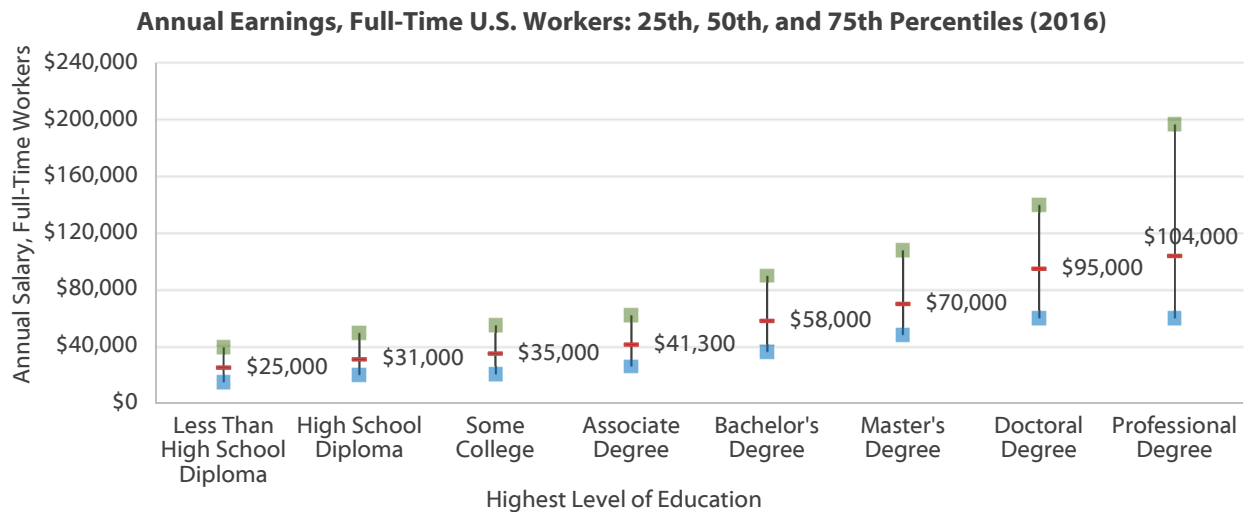




**SECTION 8**

**Texas College Attainment**

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



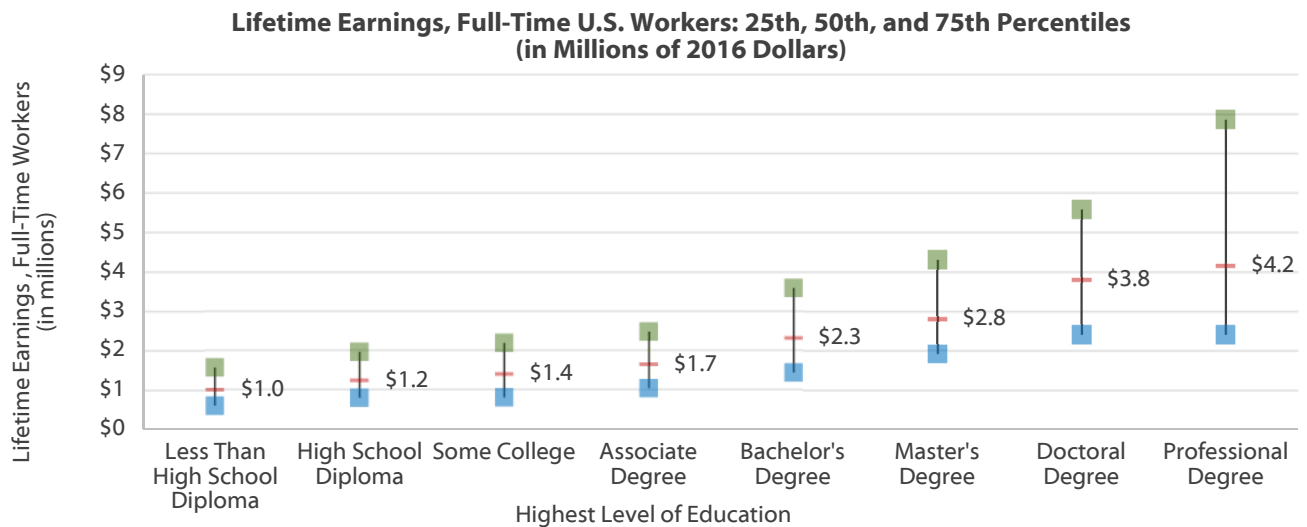
The U.S. Census Bureau reports that higher levels of education are typically associated with higher median earnings; however, annual incomes in the U.S. also vary widely within the same level of education. Consequently, some workers with associate degrees earn more than those with bachelor's degrees,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

More evidence for the economic value of education comes from the U.S. Bureau of Labor Statistics. For January 2018, the unemployment rate of workers age 25 and older who had not completed high school stood at 5.4 percent. The unemployment rate for high school graduates was 4.5 percent, while the unemployment rate for those with a bachelor's degree and higher was 2.1 percent.

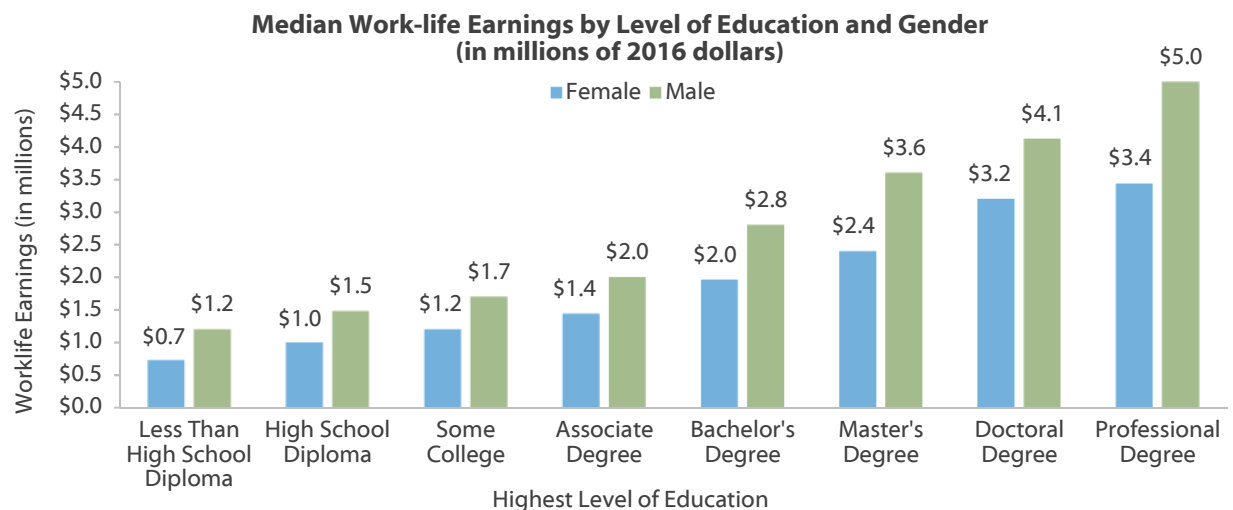
Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," January 2018 (<http://www.bls.gov/news.release/empstat.t04.htm>); Earnings: U.S. Census Bureau, American Community Survey 2016 (<http://www.census.gov/programs-surveys/acs/data/pums.html>)



# Better Educated Workers Have Higher Lifetime Earnings



The difference in the salary earned by higher- and lower-educated workers compounds over a lifetime. The estimated earnings during the work-life (approximately 40 years) of a worker who did not complete high school is about \$1 million. Completing high school increases median lifetime earnings by about \$200,000, and completing a bachelor's degree raises median lifetime earnings to \$2.3 million. Post-graduate education pays off even more; workers with a professional degree, such as doctors and lawyers, can expect over the course of their work-lives to earn an additional \$1.9 million over what workers with a bachelor's degree will earn. Higher levels of education typically offer increased lifetime earnings, but they also allow for more earning *variability*, as shown by the wider income ranges for the higher levels of education.



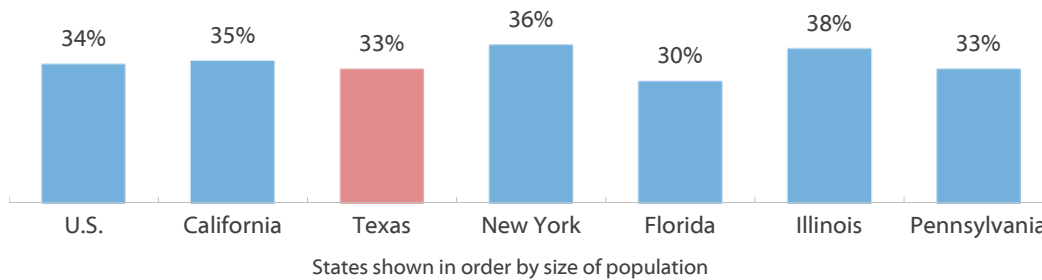
Lifetime earnings differences based on education are even more pronounced for women, who must earn at least a bachelor's degree to make as much as men with some college or an associate degree, on average.

Earnings: U.S. Census Bureau, American Community Survey 2016 (<http://www.census.gov/programs-surveys/acs/data/pums.html>)

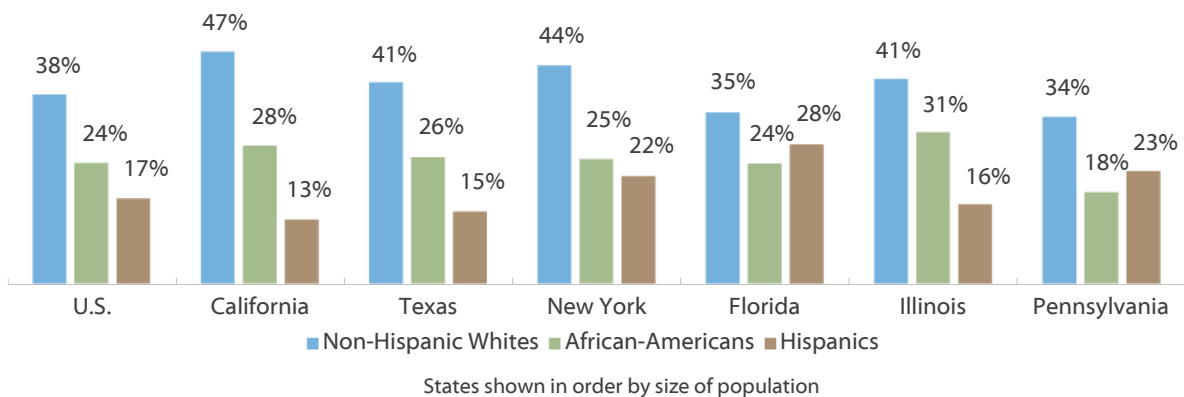


# One-third of Texans Age 25 and Older Have a Bachelor's Degree

**Population Age 25 and Older with a Bachelor's Degree or Higher (2017)**



**Population Age 25 and Older with a Bachelor's Degree or Higher by Race/Ethnicity (2017)**



Texas is comparable to the nation in the percentage of people who have completed a bachelor's degree or higher. U.S. Census Bureau data show that in 2017 about 33 percent of Texans age 25 and older had obtained a bachelor's degree or higher (the same as in 2016, but up from 29 and 31 percent in 2014 and 2015, respectively). Among the six most populous states, Texas is tied for the second lowest percentage of the overall population age 25 and older with a bachelor's degree or higher.

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

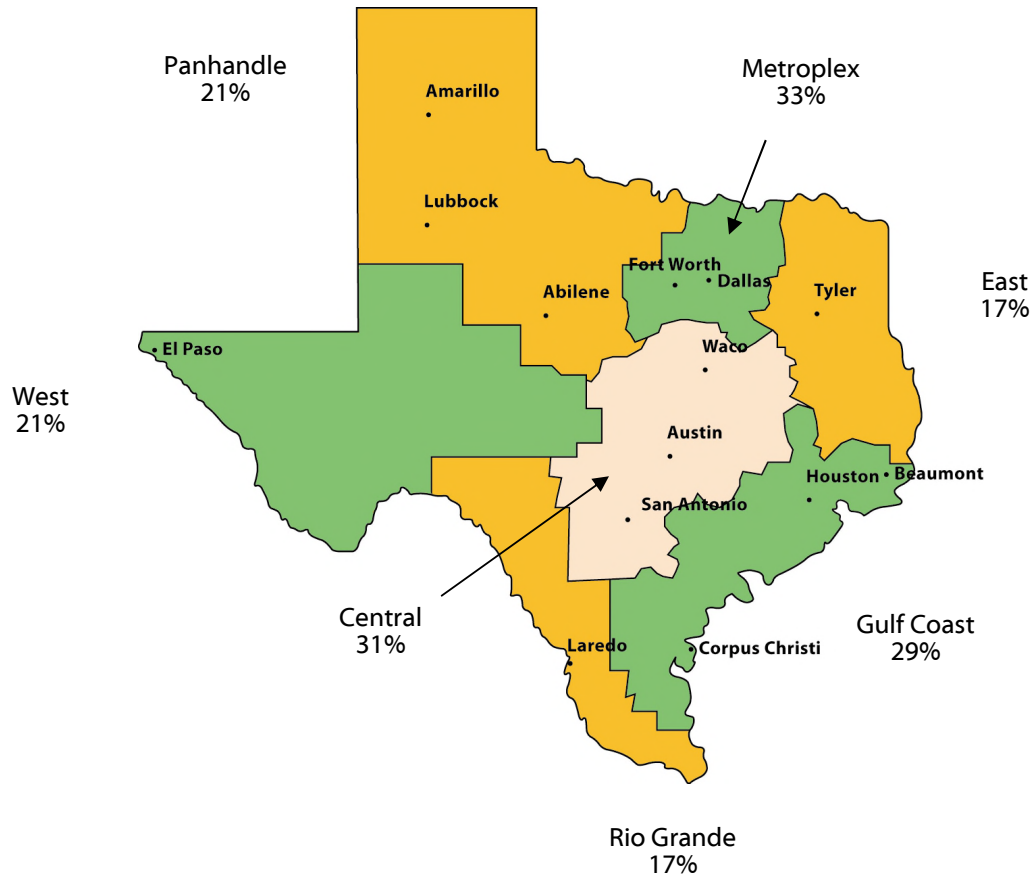
- In Texas, Hispanics are the least likely to complete a bachelor's degree. Only 15 percent of Hispanics age 25 and older have a bachelor's degree or higher, compared with 41 percent of Non-Hispanic Whites.
- The percentage of African-Americans in Texas who have a bachelor's degree is 15 percentage points lower than that of Whites. This gap has decreased by 1 percentage points since 2016.
- Among the six largest states, Texas is tied for third in the percentage of Whites with a degree and ranks fifth for Hispanics.

Source: U.S. Census Bureau, Current Population Survey 2017. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement ([http://www.census.gov/hhes/www/cpssc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpssc/cps_table_creator.html)).



# Texas Educational Attainment Levels Vary by Region

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



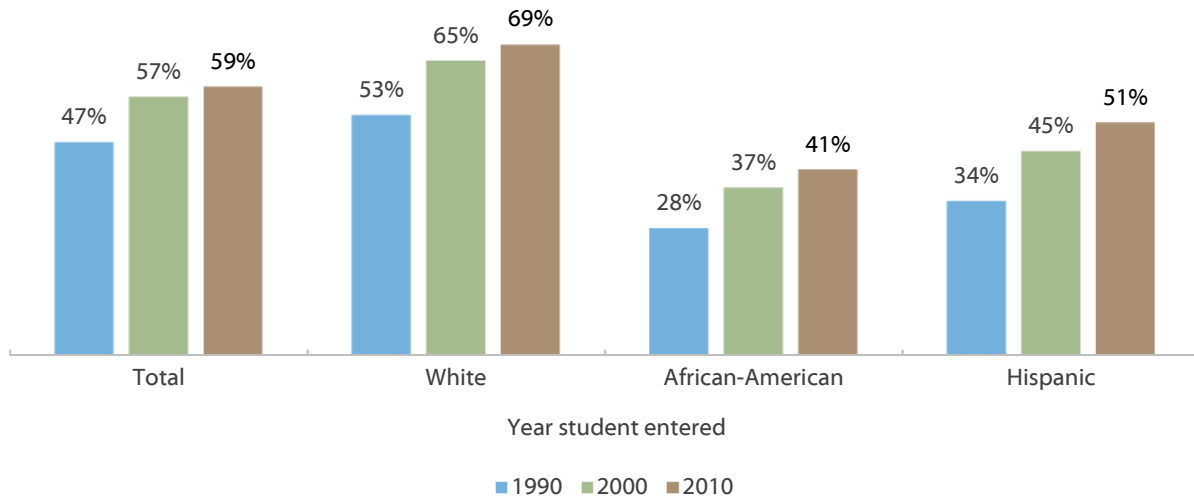
Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex region, 33 percent of people age 25 and older have a bachelor's degree or higher. In Central Texas, home to the state's two flagship universities, 31 percent of adults have a bachelor's degree or higher,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

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



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

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



College graduation rates in Texas are rising but remain stratified by ethnicity. About 59 percent of first-time (in college), full-time freshmen who entered a Texas public university in 2010 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 69 percent of Whites to 51 percent of Hispanics to 41 percent of African-Americans. The six-year graduation rates have risen over the past two decades for all racial and ethnic groups, but the rates have not increased as dramatically for African-American students as they have for White and Hispanic students.

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

Sources: National 4-year Graduation rates (2013): The Chronicle of Higher Education. College Completion. [https://collegecompletion.chronicle.com/state/#state=ny&sector=public\\_four](https://collegecompletion.chronicle.com/state/#state=ny&sector=public_four); Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates <http://www.thecb.state.tx.us/reports/PDF/3409.PDF?CFID=18285142&CFTOKEN=11849287>;



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

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

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

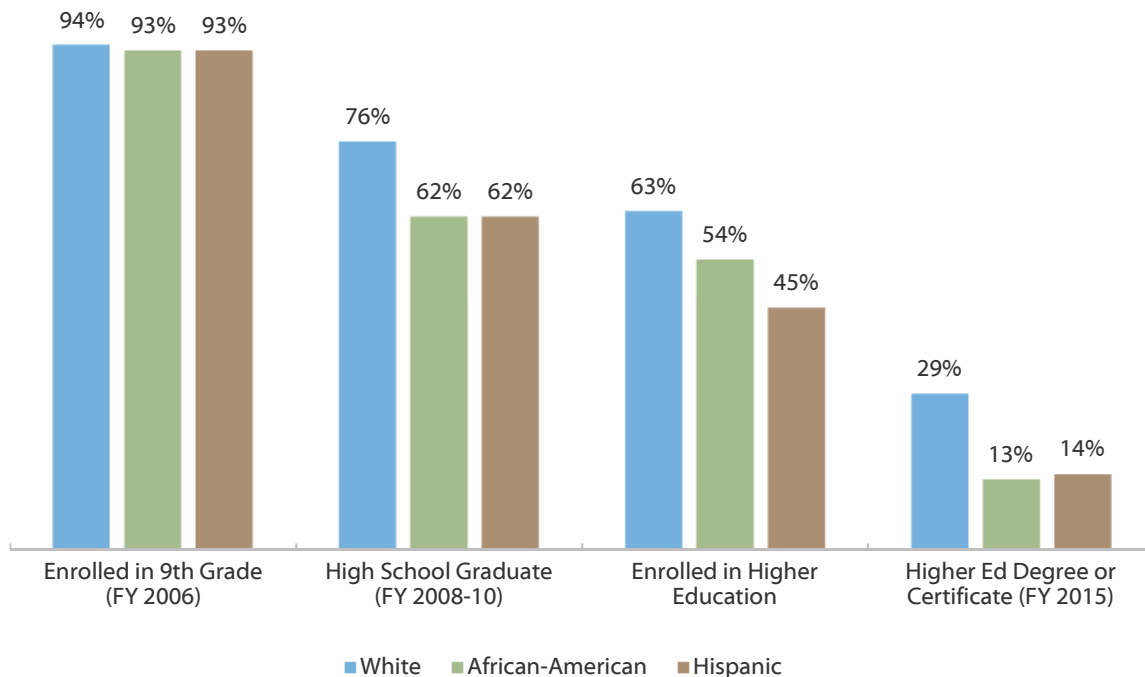
The U.S. is often compared to other countries in the Organization for Economic Co-operation and Development (OECD) when measuring educational attainment. However, within the United States, each individual state can have very different education systems. Disaggregating attainment by individual U.S. states highlights the variance between state education systems in attainment percentages. The U.S. average for young adults (ages 25-34) with a bachelor's degree or higher is 36 percent, the same as the OECD average and 7 percentage points higher than the Texas average. These rankings can change significantly when comparing attainment levels of an associate degree or higher.

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



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

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



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

At every stage of the student pipeline, larger percentages of Hispanic and African-American students exited compared to White students. Whereas 63 percent of White 8<sup>th</sup> graders in 2005 enrolled in higher education directly following high school graduation, only 54 and 45 percent of African American and Hispanic 8<sup>th</sup> graders enrolled, respectively. Reducing these disparities is essential to making the attainment gains Texas needs for a skilled and competitive workforce, because these gains will most easily be found in underserved populations. For all student groups, those who enrolled in higher education but did not complete a degree or certificate represented the largest drop-off in the student education pipeline.

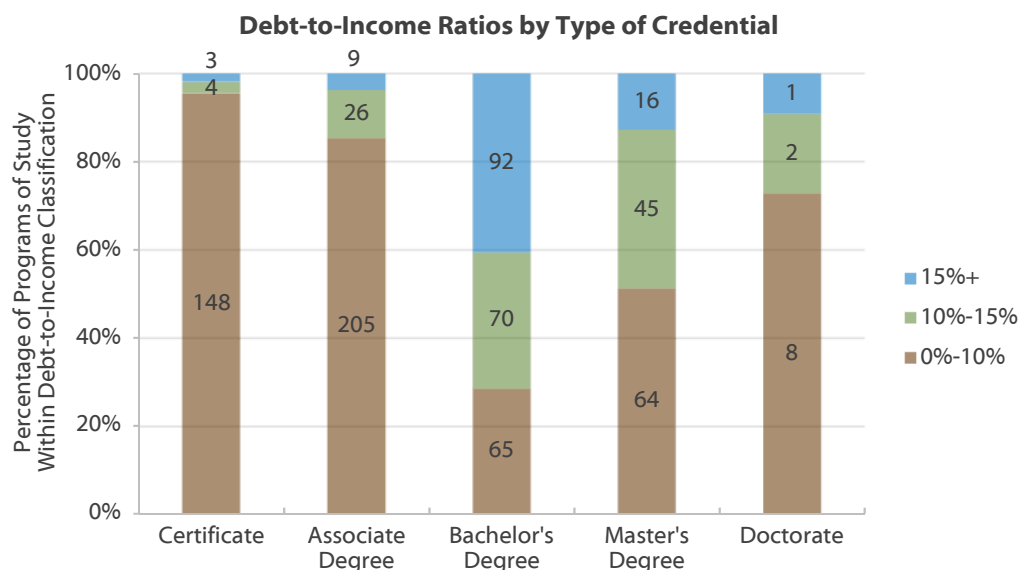
Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit

Source: Texas Higher Education Coordinating Board, Regional Topic Data Tabs: 8<sup>th</sup> Grade Cohort and HS to College Data, 2015 (<http://www.txhighereddata.org/reports/performance/regions/>). TEA and National Student Clearinghouse data used by THECB. Out-of-state graduate total not shown, because current NSC data collection extends only into 2006.





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



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

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

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

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



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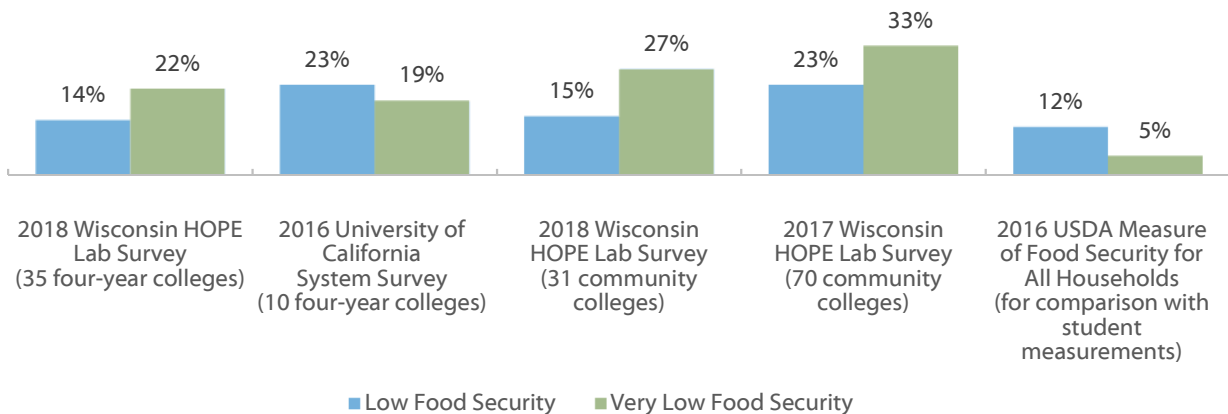


**SECTION 9**

**Student Financial Wellness**

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

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



A growing body of research has explored the degree to which postsecondary students are struggling to meet their basic needs, such as housing and food. While more research is needed to explore the extent to which basic needs insecurity affects student success, it is reasonable to assume that students who struggle with hunger, nutrition, and/or finding safe shelter will have a more difficult path to earning a degree. Providing and connecting resources (e.g., food pantries, financial education, emergency aid, transportation vouchers) to these students may affect their success in college.

The measurement tool designed by the United States Department of Agriculture (USDA) defines low food security as “reports of reduced quality, variety, or desirability of diet” and very low food security as “reports of multiple indications of disrupted eating patterns and reduced food intake.” While no nationally representative research is available for food insecurity among college students, a number of studies have found similar, troubling levels of food insecurity.

The most recent study, a 2018 survey of students attending 66 colleges conducted by the Wisconsin HOPE lab, found that 36 percent of students at four-year colleges, and 42 percent of students at community colleges experience low or very low food security. The survey was open to any college that wanted to participate. The 66 colleges were mostly public, two-year and four-year, and from the Northeast and South regions of the U.S. The results were similar to results from two previous rounds of this survey.

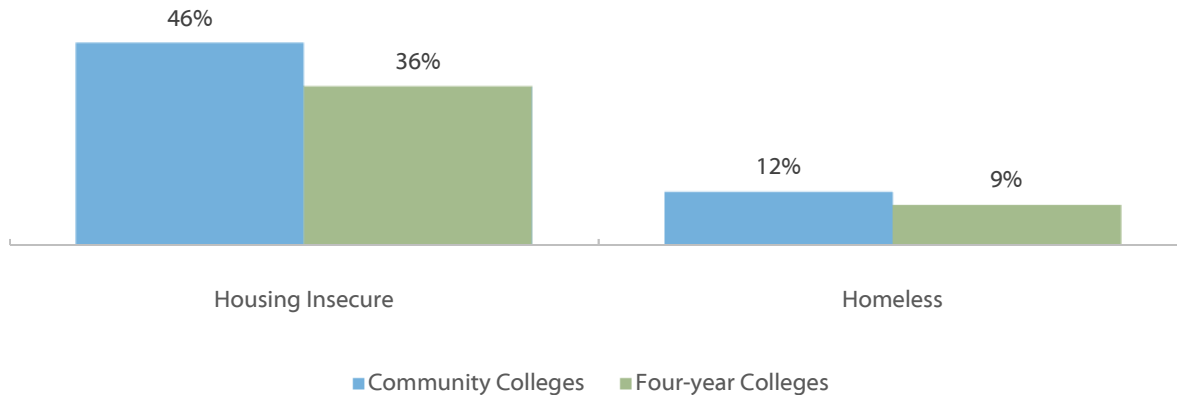
Sources: United States Department of Agriculture (USDA). 2017. Definitions of food security. <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security/>; Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady, C. (2018). Still Hungry and Homeless in College. Wisconsin HOPE Lab. <http://wihopelab.com/publications/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>; Goldrick-Rab, S., Richardson, J., & Hernandez, A. (2017). Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education. Wisconsin HOPE Lab. <http://www.wihopelab.com/publications/Hungry-and-Homeless-in-College-Report.pdf>; Martinez, S., Maynard, K., & Ritchie, L. (2016). Student food access and security study. University of California Global Food Initiative. <http://regents.universityofcalifornia.edu/regmeet/july16/e1attach.pdf>; Alisha Coleman-Jensen, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh. 2017. Household Food Security in the United States in 2016, ERR-237, U.S. Department of Agriculture, Economic Research Service. <https://www.ers.usda.gov/webdocs/publications/84973/err-237.pdf?v=42979>.



# Housing Security and Homelessness

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**Results from a 2018 Wisconsin HOPE Lab Survey of Basic Needs:  
Housing Security and/or Homelessness within Prior 12 Months at Community  
and Four-Year Colleges**



A recent report by the Wisconsin HOPE lab has found high levels of housing insecurity and homelessness among college students. Being homeless or “without a place to live, often residing in a shelter, an automobile, an abandoned building, or outside” can make an already challenging college experience even more difficult. Housing insecurity, including inability to pay full housing costs and moving in with others due to financial issues, is less severe, but can also make the college experience difficult.

The Wisconsin HOPE lab conducted a third round of its housing and food security survey in 2018. The survey was open to any college that wanted to participate. The 66 participating colleges were mostly public, two-year and four-year, and from the Northeast and South regions of the U.S. The results were similar to results from the two previous rounds of this survey.

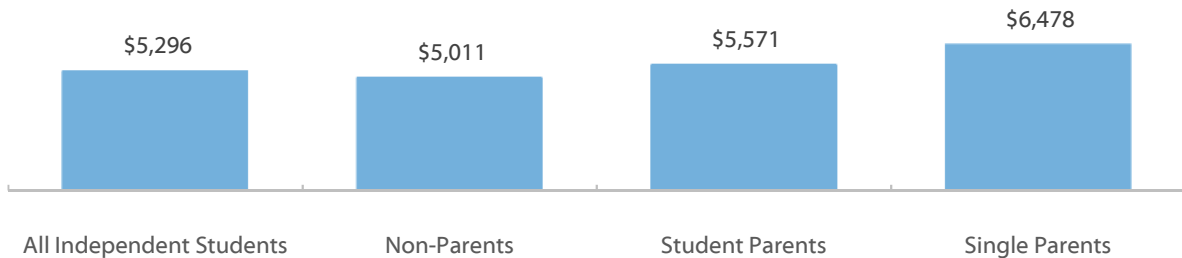
In the 2018 survey, researchers found that 46 percent of community college students and 36 percent of four-year college students experienced housing insecurity in the previous 12 months. Additionally, the study found that 12 percent of community college students and nine percent of four-year students experienced homelessness in that same time period. As the cost of college rises, basic needs security may become a barrier to success for more students. Some colleges are addressing housing issues with emergency grants, temporary housing, and partnerships with local organizations to provide rental assistance to students

Source: Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady, C. (2018). Still Hungry and Homeless in College. Wisconsin HOPE Lab. <http://wihopelab.com/publications/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>; U.S. News and World Report (February 27, 2018). A New Focus on College Campuses: Ending Housing Insecurity. <https://www.usnews.com/news/education-news/articles/2018-02-27/campus-focus-on-solving-housing-insecurity-helping-homeless-students>.

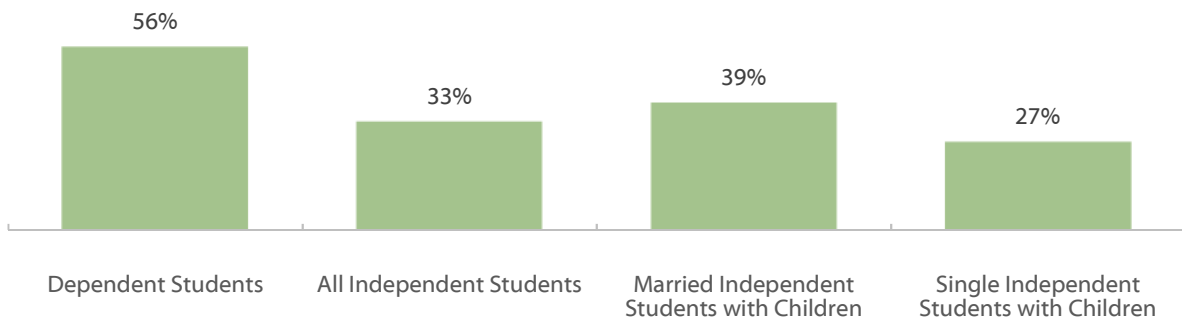


# A Quarter of Students Support a Family While in School

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



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



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

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

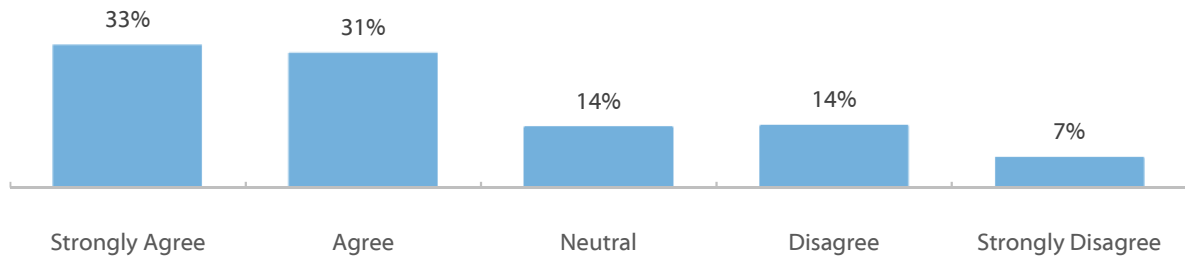
\* Unmet need is the gap that remains between a student’s resources and his/her total cost of attendance even after accounting for grants, federal loans, and expected family contribution (the formulaically-determined amount that the student can be expected to pay out of pocket).

Source: Understanding the New College Majority: The Demographic and Financial Characteristics of Independent Students. (February 2018). Institute for Women’s Policy. Retrieved at: [https://iwpr.org/wp-content/uploads/2018/02/C462\\_Understanding-the-New-College-Majority\\_final.pdf](https://iwpr.org/wp-content/uploads/2018/02/C462_Understanding-the-New-College-Majority_final.pdf).

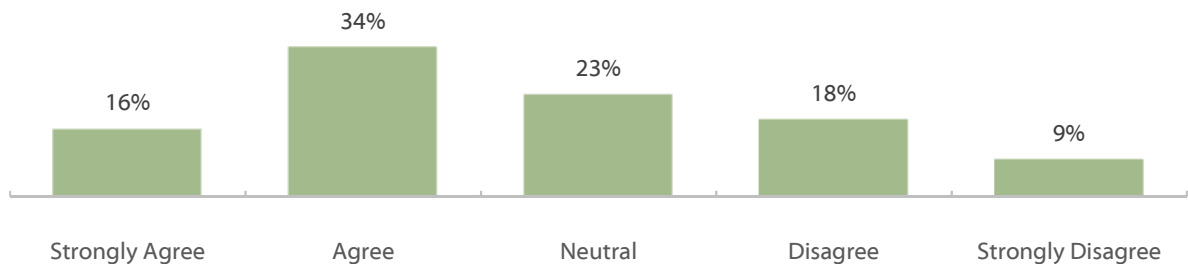


# More Than Half of Students Have Concerns About Affording College

**Spring 2018 Student Financial Wellness Survey  
Q47: I worry about having enough money to pay for school.**



**Spring 2018 Student Financial Wellness Survey  
Q48: I know how I will pay for college next semester.**



In Trellis' spring 2018 Student Financial Wellness Survey, many students surveyed signaled concerns about being able to afford college. Almost two in three respondents either agreed (31 percent) or strongly agreed (33 percent) that they worry about having enough money to pay for school.

Only half of respondents either agreed or strongly agreed that they knew how they would pay for college next semester, while almost a quarter of students (22 percent) disagreed or strongly disagreed. Confidence in being able to pay for the next semester varied by gender. Female respondents indicated that they worry about paying for school and did not know how they would pay for the next semester of college more frequently than male respondents.

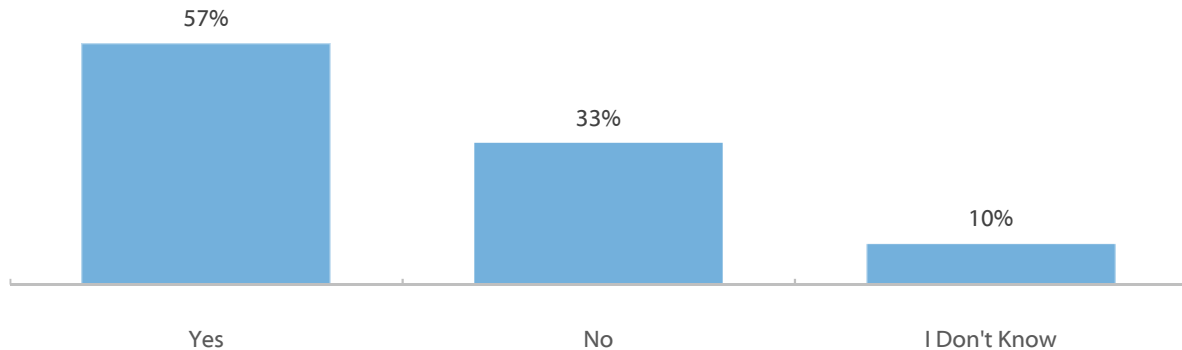
Source: Klepfer, K., Ashton, B., Bradley, D., Fernandez, C., Wartel, M., & Webster, J. (June 2018). Student Financial Wellness Survey: Spring 2018 Report. Trellis Research. Retrieved from: <https://www.trelliscompany.org/student-finance-survey/>.



# More Than Half of Students Would Have Trouble Getting \$500 to Meet an Unexpected Need

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**Spring 2018 Student Financial Wellness Survey**  
**Q40: Would you have trouble getting \$500 in cash or credit in order to meet an unexpected need within the next month?**



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

Over half of respondents (57 percent) in Trellis' Student Financial Wellness Survey indicated they would have trouble getting \$500 in cash or credit in an emergency. Students who reported they would have trouble getting \$500 cash or credit for an emergency responded at higher rates that they worry about having enough money to pay for school and at lower rates that they know how they will pay for college next semester compared to those who reported no issues to accessing \$500 for an emergency.

Female respondents reported at higher rates than males that they would have trouble meeting a \$500 emergency. Interventions that address issues more common among women, such as access to daycare, may alleviate some of these concerns. Additional research to better determine gender-specific financial issues would help target appropriate services. Given students' financial vulnerability and lower confidence in paying for college, student success initiatives could benefit from financial components such as emergency aid programs that provide small dollar grants to students in financial emergencies. These types of interventions have improved student retention.

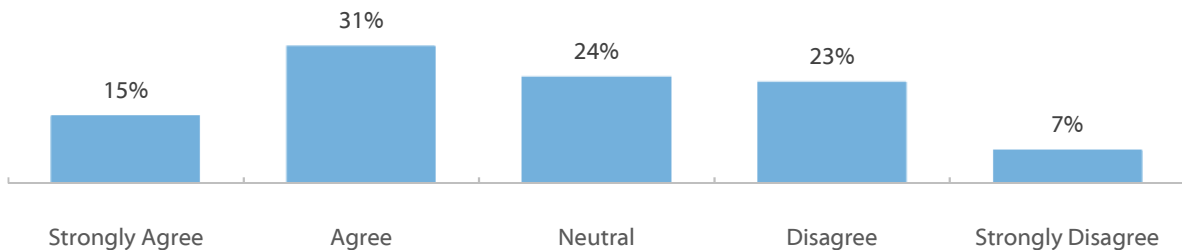
Sources: Klepfer, K., Ashton, B., Bradley, D., Fernandez, C., Wartel, M., & Webster, J. (June 2018). Student Financial Wellness Survey: Spring 2018 Report. Trellis Research. Retrieved from: <https://www.trelliscompany.org/student-finance-survey/>; Kruger, K., Parnell, A., & Wesaw, A. 2016. "Landscape analysis of emergency aid programs." National Association of Student Personnel Administrators (NASPA). [https://www.naspa.org/images/uploads/main/Emergency\\_Aid\\_Report.pdf](https://www.naspa.org/images/uploads/main/Emergency_Aid_Report.pdf). Retrieved on 4/30/2018.



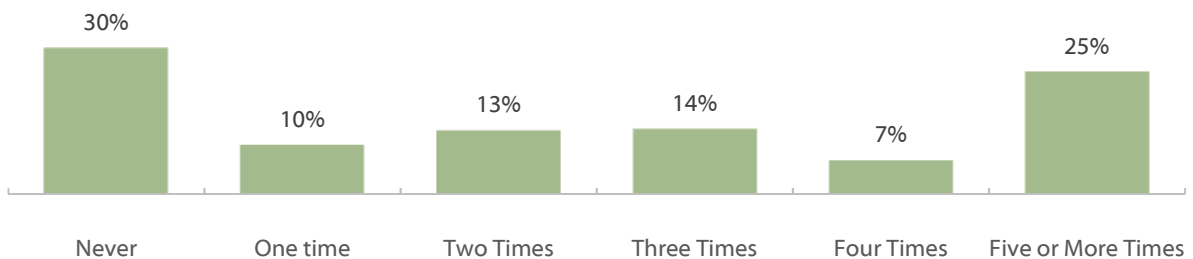


# Almost Half of Students Express Concern About Affording Day-to-Day Expenses

**Spring 2018 Student Financial Wellness Survey**  
**Q46: I worry about being able to pay my current monthly expenses.**



**Spring 2018 Student Financial Wellness Survey**  
**Q41: In the past 12 months, how many times did you run out of money?**



Some of the anxiety around paying for school may be driven by students' concern for their day-to-day expenses. Almost half of respondents in Trellis' Student Financial Wellness Survey worried to some degree about paying for their current monthly expenses (46 percent agree or strongly agree).

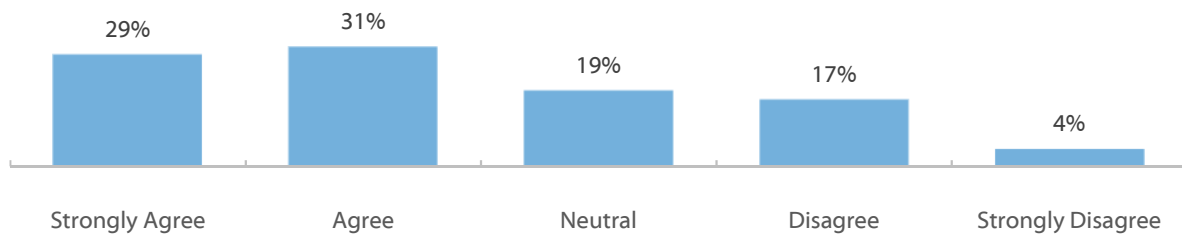
It takes careful planning for students to meet their expenses and manage a limited, often uncertain, cash flow while attending school. The majority (70 percent) of respondents reported running out of money at least once in the past 12 months, and nearly half (46 percent) reported running out of money three or more times. A quarter of respondents reported running out of money five or more times over the past year. These students who ran out of money five or more times responded at higher rates that they worry about having enough money to pay for school and at lower rates that they know how they will pay for college next semester.

Source: Klepfer, K., Ashton, B., Bradley, D., Fernandez, C., Wartel, M., & Webster, J. (June 2018). Student Financial Wellness Survey: Spring 2018 Report. Trellis Research. Retrieved from: <https://www.trelliscompany.org/student-finance-survey/>.

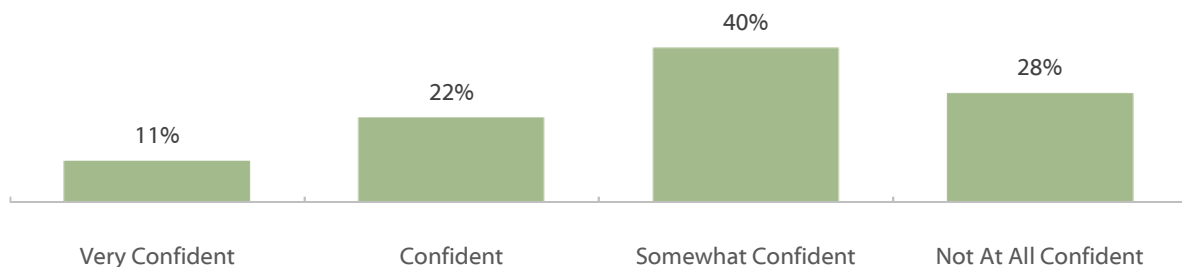


# Two-thirds of Students are Less Than Confident They Can Pay Off the Debt Acquired

**Spring 2018 Student Financial Wellness Survey**  
**Q64: I have more student loan debt than I expected to have at this point (of respondents with student loans).**



**Spring 2018 Student Financial Wellness Survey**  
**Q65: How confident are you that you will be able to pay off the debt acquired while you were a student (of respondents with student loans)?**



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

Estimating college expenses can be difficult, especially for students who are the first in their families to attend college. A large majority of respondents (60 percent) in Trellis' Student Financial Wellness Survey who borrowed agreed or strongly agreed with the statement that they had more student loan debt than they expected at this point. Many students borrow with no confidence in their ability to repay. Twenty-eight percent of those who borrowed were not at all confident they would be able to pay off the debt acquired while they were a student, and an additional 40 percent were only somewhat confident.

Sources: Klepfer, K., Ashton, B., Bradley, D., Fernandez, C., Wartel, M., & Webster, J. (June 2018). Student Financial Wellness Survey: Spring 2018 Report. Trellis Research. Retrieved from: <https://www.trelliscompany.org/student-finance-survey/>; Gladieux, L., & Perna, L. (2005). "Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend." The National Center for Public Policy and Higher Education.

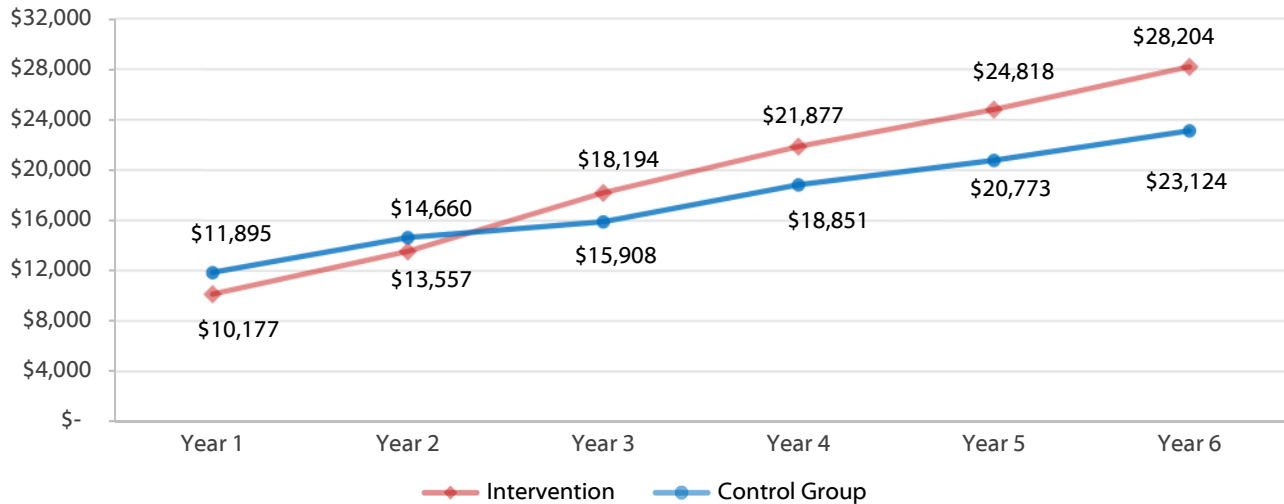


**SECTION 10**

**Evidence-Based Programs  
and Interventions**

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

**Average Annual Earnings for Project QUEST Participants and Non-Participants**



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

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

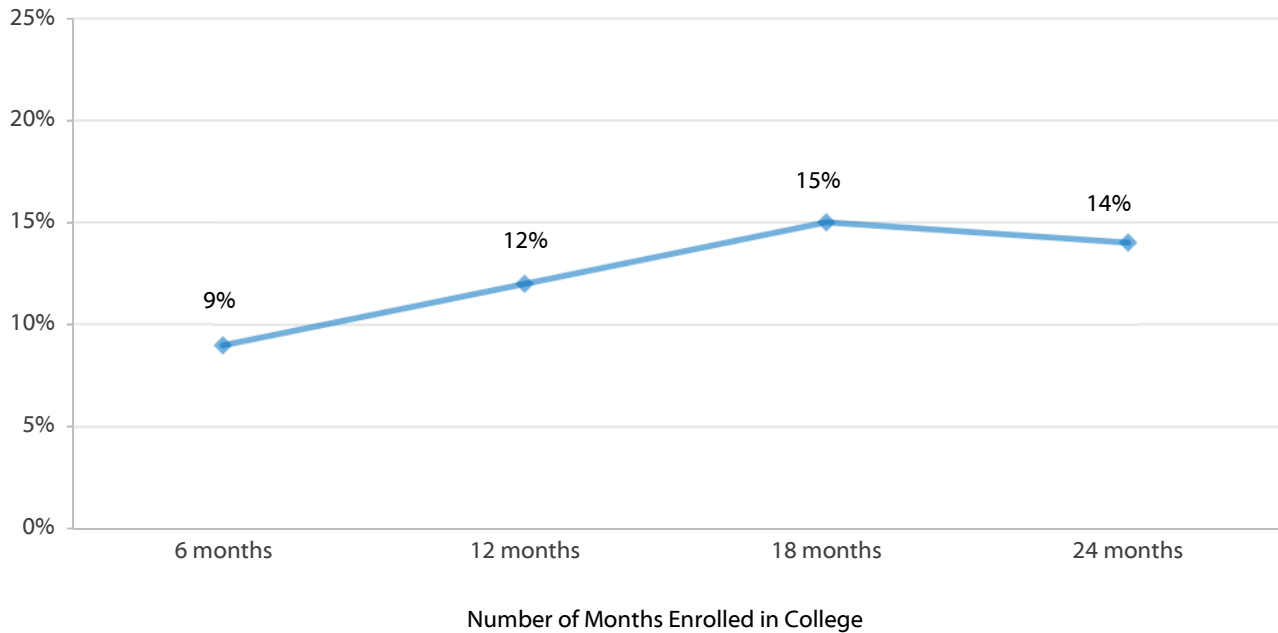
In order to evaluate the effectiveness of these resources, Project Quest conducted a randomized trial among students who started services with Project Quest between 2006 and 2008 and followed them for six years. The evaluation focused on those pursuing skilled technical positions in medical fields (e.g.,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

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



# Individualized Coaching is Effective for Increasing Attainment and Persistence

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



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

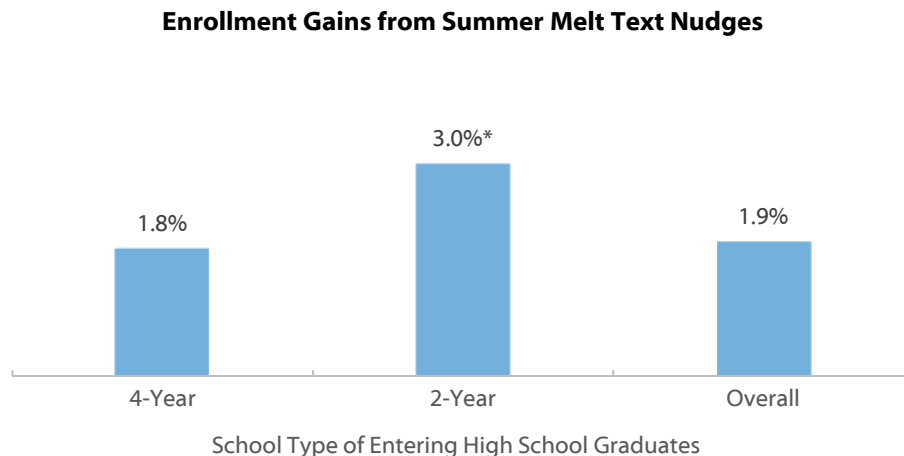
The evaluation found that, when controlling for covariates (i.e. age, gender, high school GPA, SAT score), individualized coaching was associated with an approximately five percent increase in retention after six months, a 12 percent increase after 12 months, and a 14 percent increase after 24 months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

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

Source: Bettinger and Baker, The Effects of Student Coaching: An Evaluation of a Randomized Experiment in Student Advising, March 2014 (<http://journals.sagepub.com/doi/abs/10.3102/01623737135005230>).



# Text Nudges Provide Needed “Summer Melt” Intervention at a Low Cost



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

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

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

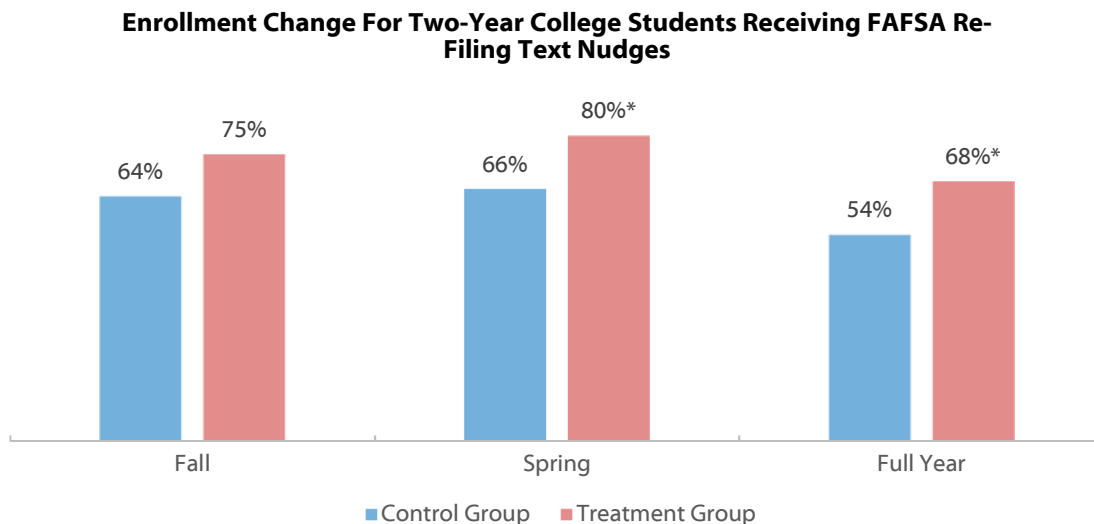
\*Statistically significant at the 0.05 level ( $p < 0.05$ ).

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

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



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



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

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

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

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

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



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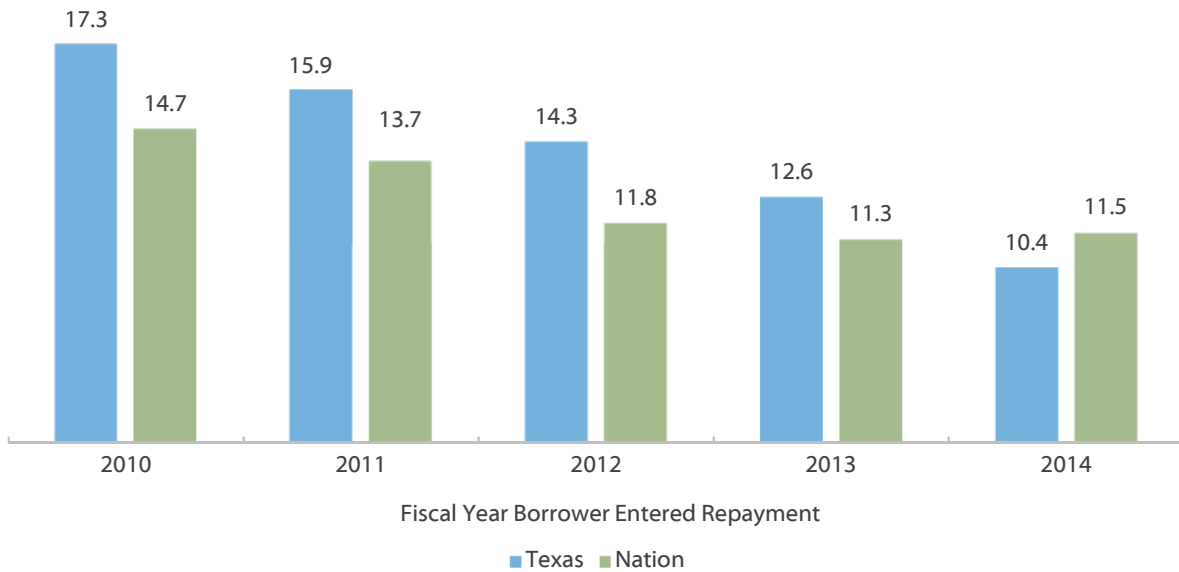


**SECTION 11**

**Delinquencies, Defaults,  
and Collections**

# Default Rates for Texas Decrease; Increase for the Nation

**Texas, National Three-year Cohort Default Rates\*  
(FY 2010–2014)**



The Higher Education Opportunity Act (HEOA) of 2008 redefined cohort default rates (CDRs) to cover a three-year period (as opposed to the previous two) and thus capture more borrowers who default. Publication of the new three-year rates began in 2012 for the cohort of borrowers who entered repayment on their loans in FY 2009. The Texas three-year CDR for the FY 2009 cohort was 16.1 percent, 2.7 percentage points higher than the national three-year CDR at 13.4 percent. The CDR for both Texas and the nation increased in FY 2010 before decreasing for the last three fiscal years. In FY 2014, the rate for Texas decreased by 2.2 percentage points from the previous fiscal year while the national rate increased by 0.2 percentage points. Texas has a lower CDR than the nation for the first time.

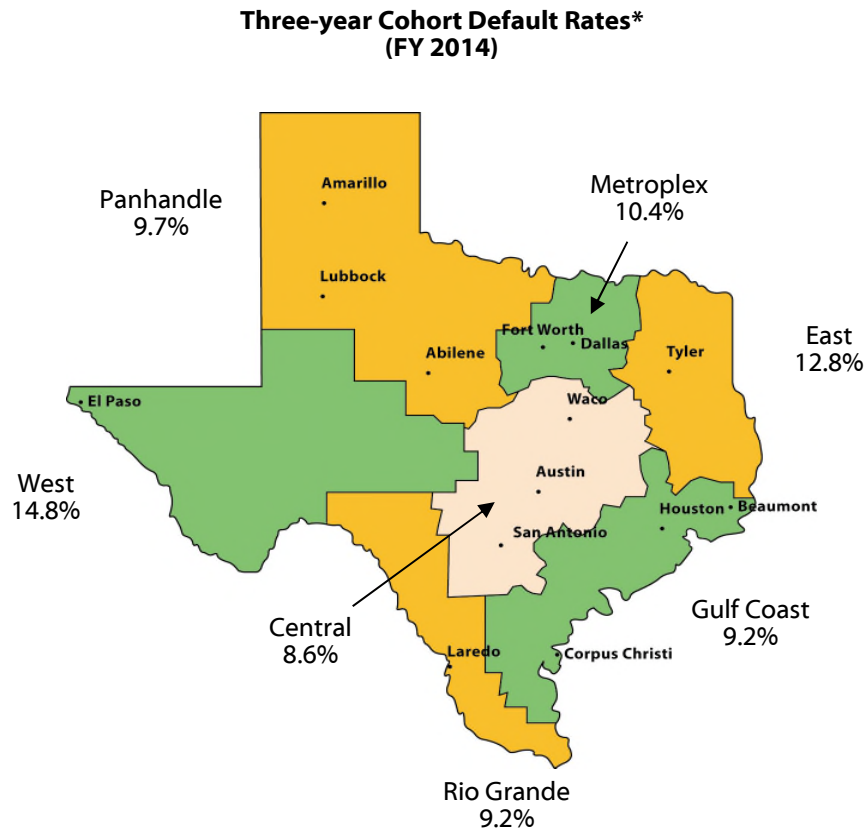
While the precise reason(s) for the recent decline in the Texas CDR is not known, past evidence and other recent trends suggest it may have been caused at least partially by general economic improvement (particularly the falling unemployment rate) and increased usage of repayment flexibility options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

\*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2014 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2014 and subsequently defaulted by the end of FY 2016.

Source: U.S. Department of Education, Fiscal Year Three-Year Official Cohort Default Rates, Washington, D.C., 2017.



# Texas Three-year Cohort Default Rates Vary by Region



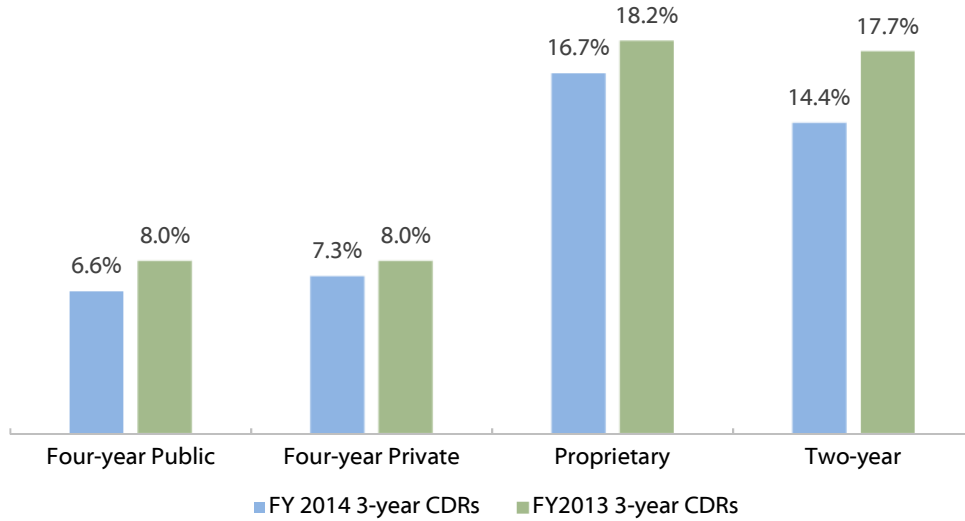
The overall Fiscal Year (FY) 2014 three-year cohort default rate (CDR) for Texas was 10.4 percent (compared to 12.6 percent in FY 2013). Texas' FY 2014 CDR was 1.1 percentage points lower than the 11.5 default rate for the nation.

Cohort default rates vary substantially from region to region, from a high of 14.8 percent in the West Texas region to a low of 8.6 percent in the Central Texas region. All of the Texas regions experienced a decrease in the three-year default rates between FY 2013 and FY 2014 except for the West Texas region, where the CDR increased from 14.2 percent to 14.8 percent. The largest difference was seen for schools in the Rio Grande Valley region, where the three-year CDR dropped four percentage points between FY 2013 and FY 2014, continuing a trend of from a high of 20.5 percent in FY 2010. All regions have seen their rates drop since FY 2010, likely due in part to recovery from the economic recession.

\*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. For example, the FY 2014 cohort default rate is based on student borrowers who entered repayment during FY 2014 and subsequently defaulted by the end of FY 2016.

# Short-Term Programs Have Higher Three-year Default Rates

**Texas Three-year Cohort Default Rates\* by School Type**



Texas borrowers who attended short-term programs have a combined FY 2014 three-year cohort default rate (CDR) more than twice the rate of those who attended four-year schools (15.1 percent and 6.7 percent, respectively). Although some proprietary schools offer bachelor’s degrees or higher, most proprietary schools in Texas offer short-term programs exclusively. At 16.7 percent, the highest FY 2014 three-year CDR is for the proprietary sector, followed closely by the two-year sector with a 14.4 percent CDR. This is a minor reversal compared to the nation as a whole, where the proprietary sector had a 15.5 percent CDR (17.5 percent for 2-3-year programs) and the public two-year sector had an 18.3 percent CDR. All sectors in Texas had a decrease in their rate from FY 2013 to FY 2014, with a particularly large decrease in the two-year sector of over three percentage points.

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

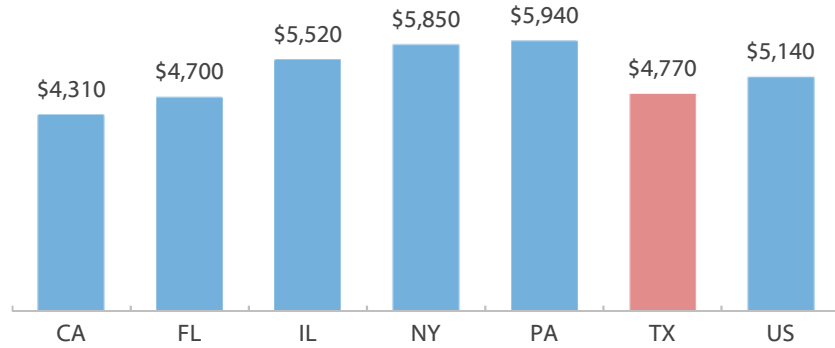
\*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2014 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2014 and subsequently defaulted by the end of FY 2016.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2014 Official Cohort Default Rates, Washington, D.C., 2016; All Other: U.S. Department of Education, National Center for Education Statistics, “National Postsecondary Student Aid Study (NPSAS) 2012” (<http://www.nces.ed.gov/das/>).



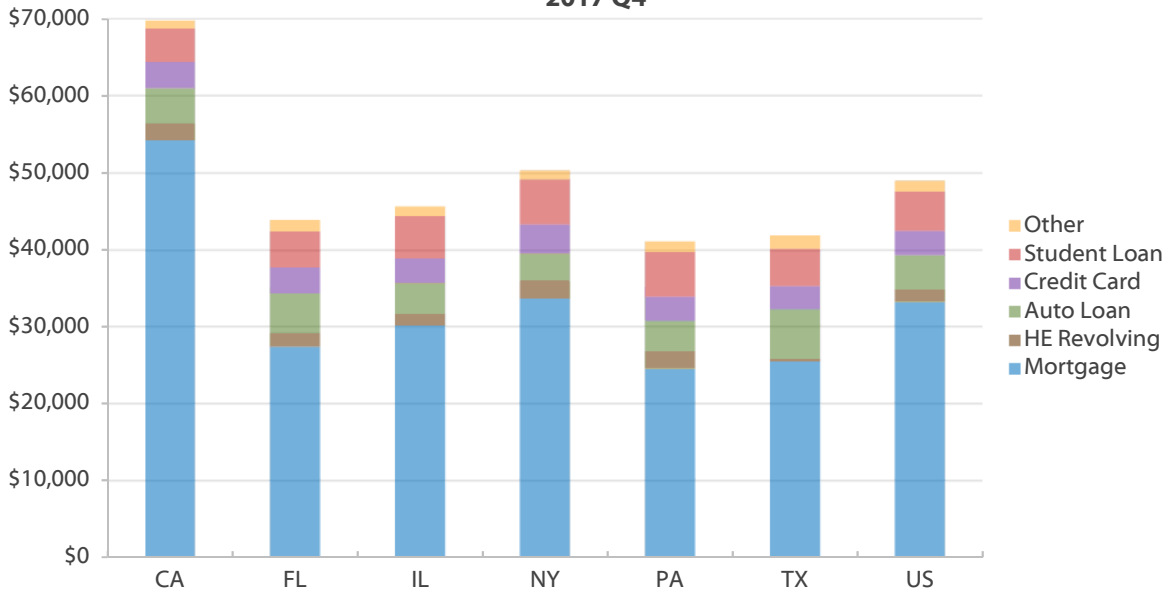
# Texas Student Loan Balance Per Capita Lower Than National Average

**Student Loan Debt Balance per Capita by State  
2017 Q4**



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

**Debt Balance per Capita by State  
2017 Q4**



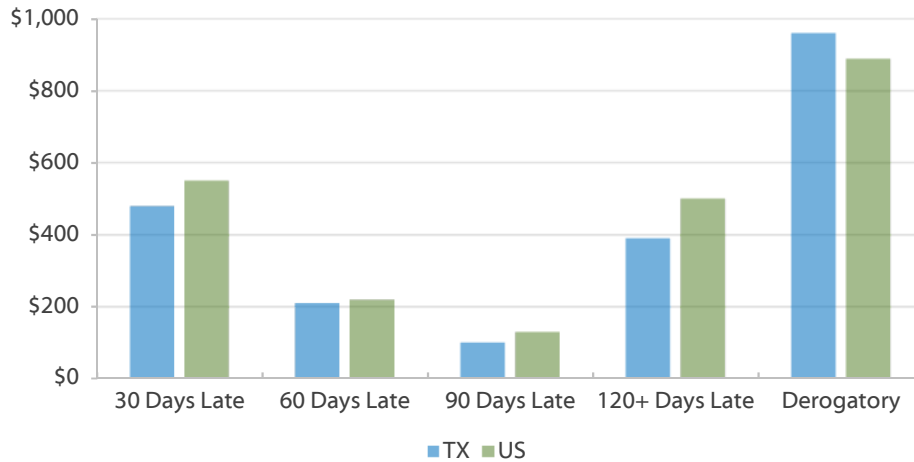
With a per capita average of \$41,900 in debt, Texans have the second lowest debt balance among the six largest states and the national average. This debt profile includes mortgage accounts, home equity revolving accounts, auto loans, bankcard or credit card accounts, student loans, and other loans (such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

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

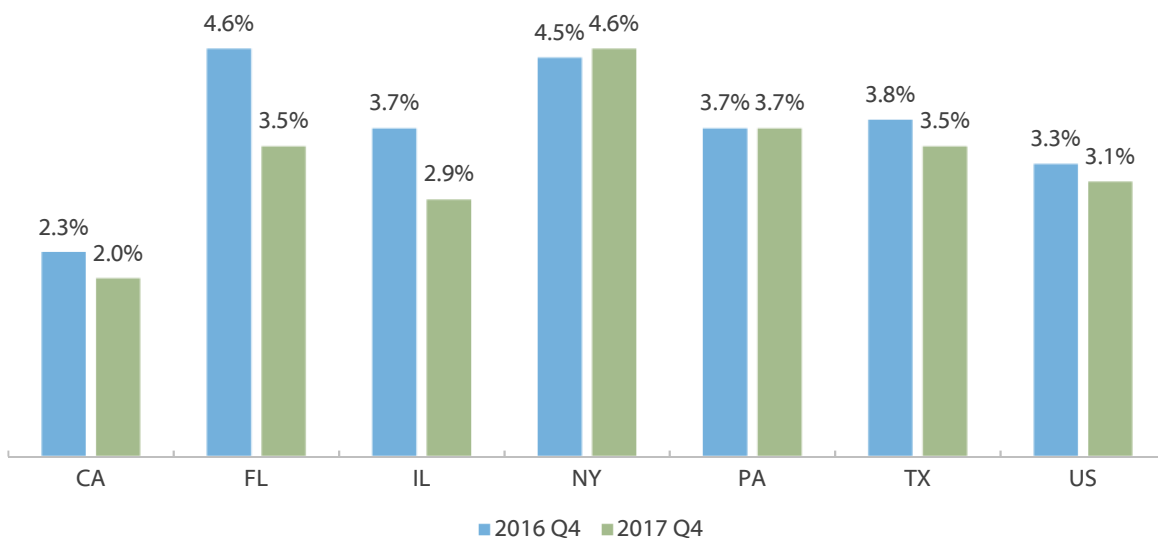


# Texas Has Similar Rates of Delinquency on Household Debt Compared to the Nation

**Delinquency Status of Debt per Capita by State  
2017 Q4**



**Percentage of Balance 90+ Days Late by State  
2016 and 2017**



The amounts of debt in each stage of delinquency were not very different when comparing Texas and the US. Overall in the US and in most of the six largest states, the percentage of the debt balance that is severely delinquent – that is, 90 or more days late – had decreased by the end of 2017 compared to the end of 2016. Texas tied for the third lowest percentage of severely delinquent borrowers among the six largest states, but still higher than the overall US percentage.

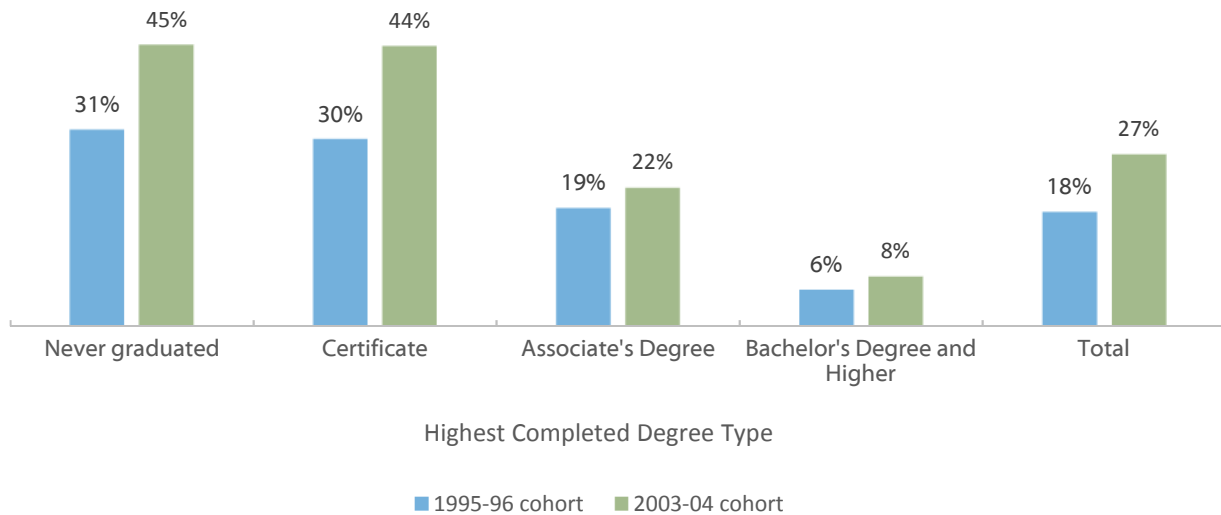
Note: The Derogatory delinquency status includes a person with any level of delinquency combined with repossession, charge off to bad debt, or foreclosure.

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



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

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



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

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

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

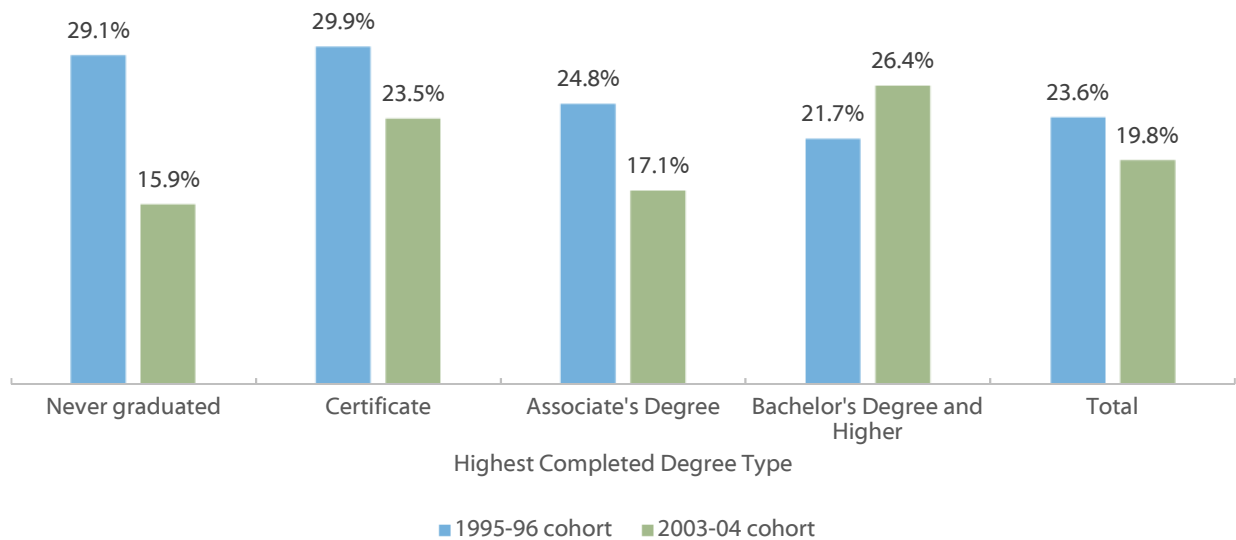
When the timeframe for tracking the 1995-96 cohort was extended from 12 to 20 years, 25.4 percent of all student borrowers had defaulted. The more recent cohort has already exceeded that rate at just the 12-year mark.

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



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

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



About a quarter of all borrowers among those who first began postsecondary education in the 1995-96 academic year had fully repaid their federal loans without defaulting within 12 years of starting college. The fully repaid percentage is higher among the less educated and lower among the more educated. This is likely because those with higher levels of education are usually in school for longer, so they would not start repayment on their loans until later, leaving fewer years out of the 12 in which to fully repay. Additionally, those with higher levels of education are more likely to borrow higher amounts compared to those with lower levels of education.

Across nearly all categories, borrowers who first began postsecondary education in the 2003-04 academic year had lower rates of fully repaying their federal loans without defaulting within 12 years of starting college compared to those who first started in the 1995-96 academic year. The exception is the group of borrowers who earned a bachelor's degree or higher – these borrowers had the highest repayment rate among all the categories in the 2003-04 cohort of borrowers. In the 1995-96 cohort of borrowers, the bachelor's degree or higher group of borrowers had the lowest repayment rate among all the categories.

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

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





**SECTION 12**

**Texas Higher Education and  
Student Debt Policy**

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

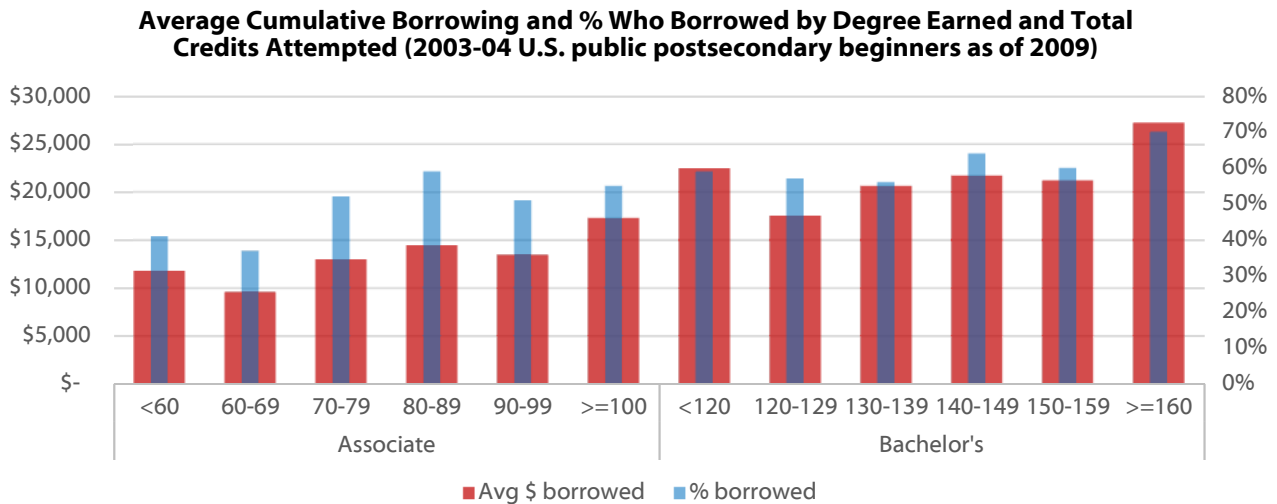
In 2016, the Texas Higher Education Coordinating Board (THECB) launched a new, 15-year strategic plan for Texas higher education: 60x30TX (“sixty by thirty Texas”). The plan establishes four core goals:

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

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

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

While excess SCH have an intuitive connection to higher borrowing – classes cost money, so taking more classes results in higher costs and therefore greater need to borrow – it is not clear to what extent excess SCH contribute to student loan debt. As shown in the chart below, the correlation between borrowing and SCH attempted is not overwhelming but does exist, especially if those who attempted fewer SCH than typically required for their degree are excluded (these students likely started postsecondary education with credit from dual enrollment or Advanced Placement courses).



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

Sources: 60x30TX: Texas Higher Education Coordinating Board. THECB 60x30 Progress Report (<http://www.60x30tx.com/media/1186/2017-60x30tx-progress-report.pdf>); Debt by credits attempted: Analysis of US Dept of Education, National Center for Education Statistics, Beginning Postsecondary Students 2004/09 (<http://nces.ed.gov/surveys/bps/>).



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

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

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

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

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

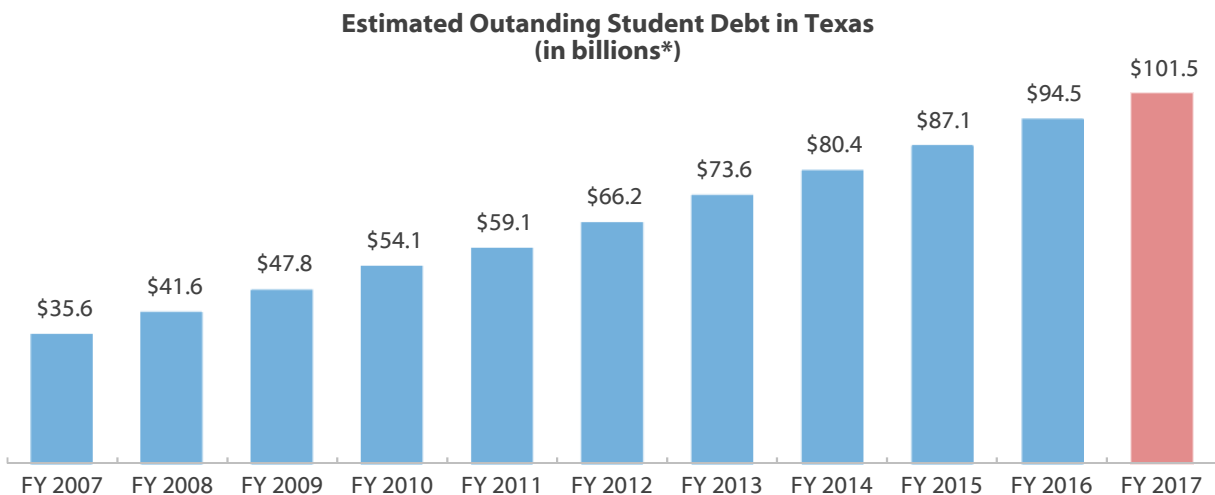
	2016-2017 Biennium Funding (in millions, rounded)	2018-2019 Biennium Funding (in millions, rounded)	Percent Change
Top Ten Percent Scholarship	\$18	\$3.2	-83%
Developmental Education	\$4.0	\$2.7	-33%
Texas Research Incentive Program	\$138	\$35.0	-75%
Professional Nursing Shortage Reduction Program	\$33.8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

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



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

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



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

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

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

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

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

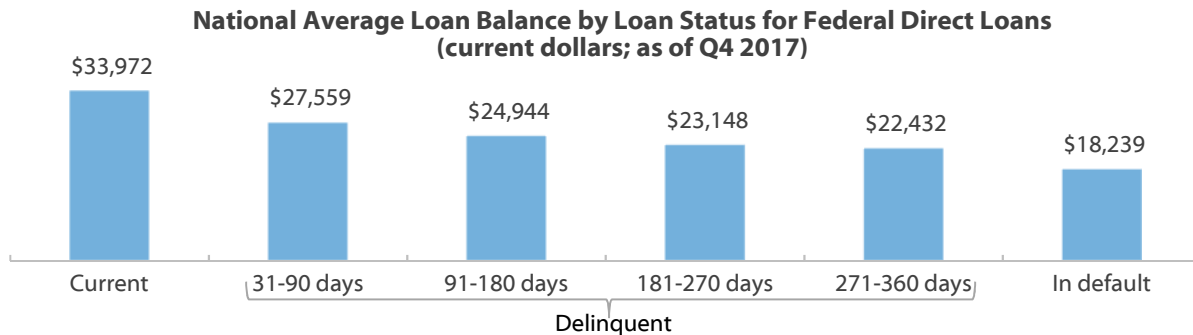
Sources: U.S. Student Loan Debt Estimate: Federal Reserve Bank of New York (FRBNY), Quarterly Report on Household Debt and Credit, 2017:Q4 ([https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC\\_2017Q4.pdf](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2017Q4.pdf)), Texas Student Loan Debt Estimate: FRBNY Quarterly Report on Household Debt and Credit, Q4 2007 through Q4 2017, and Household Debt and Credit Statistics by State ([https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/area\\_report\\_by\\_year.xlsx](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/area_report_by_year.xlsx)); Non-federal borrowing: College Board, Trends in Student Aid 2017 (<https://trends.collegeboard.org/student-aid/figures-tables/total-federal-and-nonfederal-loans-over-time>);



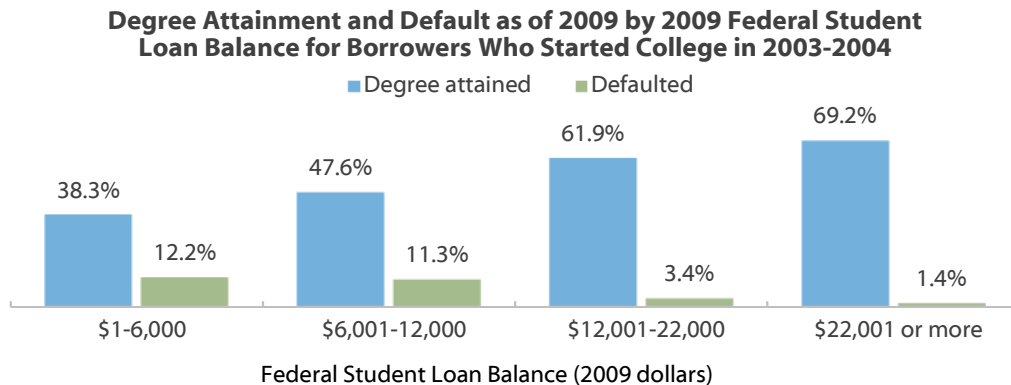
# Students Who Borrow More Are Less Likely to Default

Concerns over student debt tend to focus on two trends: high default rates and high loan balances. Default rates have been slowly declining in recent years, but far too many student loan borrowers continue to default. Nationally, about one in nine student loan borrowers who entered repayment in fiscal year 2014 defaulted in that year or the next two (a three-year cohort default rate [CDR] of 11.5 percent), but lifetime default rates are much higher. The federal Office of Management and Budget predicts that 20 to 25 percent of undergraduate Direct Loan borrowers who entered repayment in FY 2016 will default over the next 20 years, and a recent study of students who began postsecondary education in 2003-04 found that 27 percent of borrowers had defaulted within 12 years.

Although the average loan balance continues to climb, the relationship between this trend and default rates is not straightforward. In fact, borrowers who are current on their loans tend to have higher balances, while those in delinquency or default tend to have lower balances.



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



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

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

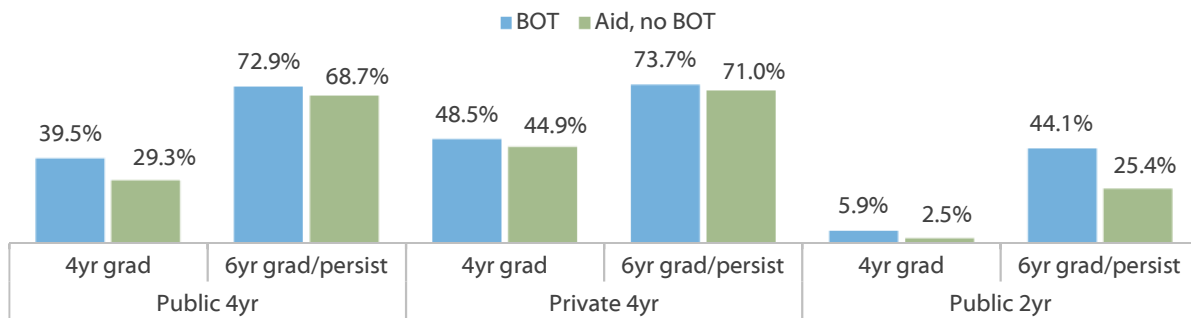


# B-On-Time Loan Showed Promise But Was Underutilized

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

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

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



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

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

New legislation was introduced to alter this decision. State Senator Judith Zaffirini (D-Laredo), who wrote the original BOT legislation, introduced SB 32, which would recreate the program with improvements, in the 85<sup>th</sup> Texas legislative session. Rep. Joaquin Castro (D-San Antonio) also introduced bills in the 113<sup>th</sup> U.S. Congress (2014) to exempt state-sponsored, interest-free loans from preferred lender requirements and even create a national B-on-Time program. These efforts were unsuccessful.

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

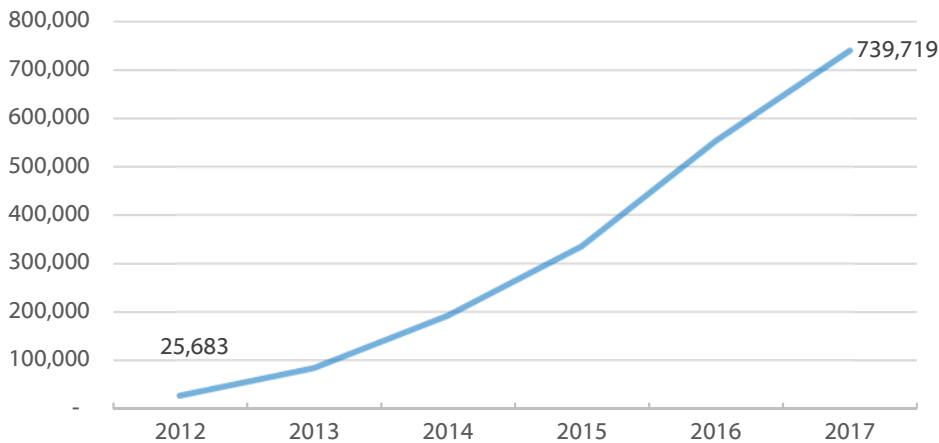


# More Borrowers Pursue Federal Public Service Loan Forgiveness, Which Congress May Repeal

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

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

**Cumulative Borrowers Pursuing Public Service Loan Forgiveness (through 7/30/2017)**



Despite the uncertainty surrounding PSLF, it is increasingly popular, with 739,719 borrowers having certified their employers' eligibility as of September 30, 2017. The chart above represents unique borrowers who have received approval for an Employment Certification Form. The Department of Education introduced the voluntary Employment Certification Form (ECF) in 2012 to help borrowers establish eligibility and track their progress towards 120 qualifying payments. Though borrowers can wait to document their eligibility until requesting forgiveness, the number of borrowers who have had at least one ECF approved is currently the best proxy for borrowers pursuing PSLF. The Department has also denied over 633,000 ECFs since 2012 (this counts denials issued to borrowers who may have been denied previously).

Congress is currently considering PSLF (among many other topics) as it moves towards reauthorization of the Higher Education Act (HEA). The PROSPER Act, the U.S. House version of HEA reauthorization that passed out of committee and is awaiting a vote of the whole House as of this writing, would eliminate PSLF for new borrowers but maintain the option for existing borrowers (it is not clear whether loans issued to existing borrowers after the cutoff date would be eligible). Previous proposals include capping the amount that is eligible for forgiveness after ten years and offering partial forgiveness periodically (e.g. forgiving ten percent every year), such that forgiveness would no longer be an all-or-nothing proposition.

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



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

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

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

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

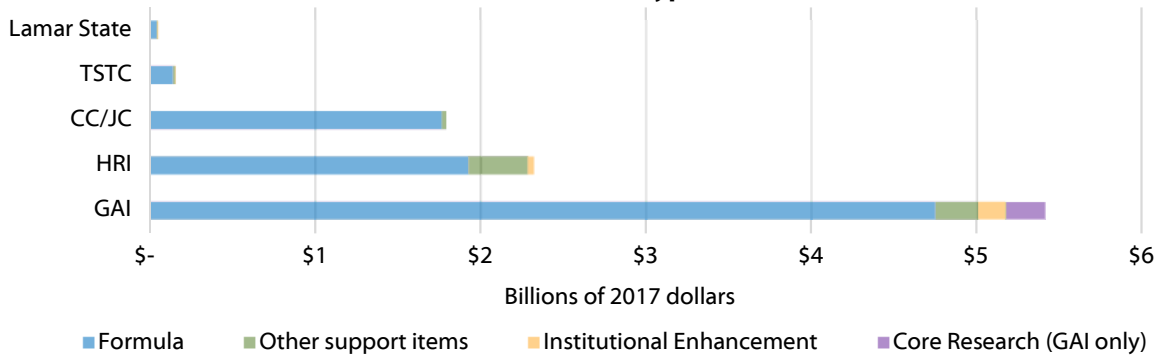
1. **Formula funding**

- Based on rates applied to various budget categories, like Instruction and Operations, Educational and General Space, and Contact Hours, but spending is not limited to those purposes
- Some differences based on institutional sector, notably that the formula for Technical State Colleges is entirely based on the incomes of graduates relative to the minimum wage, and ten percent of community college formula funding is based on academic success metrics

2. **Non-formula funding (“Support items”, etc.)**

- Must be used for explicitly specified purposes, though some funds offer flexibility
- Includes Support items (formerly “special items”), which include Institutional Enhancement, instruction support, public service items, research, health care, and residency training items; and general research funds (e.g. Research Development Fund, Competitive Knowledge Fund)

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



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

Sources: Texas Legislative History: <https://capitol.texas.gov/>; Joint Interim Committee: <http://www.senate.state.tx.us/cmte.php?c=940>; 2018-19 Texas Higher Education Appropriations: Legislative Budget Board, General Appropriations Act for the 2018-19 Biennium, [http://www.lbb.state.tx.us/Documents/GAA/General\\_Appropriations\\_Act\\_2018-2019.pdf](http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf); Summary of Higher Education Non-formula Support Items, [http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary\\_Higher\\_Education\\_Non-formula\\_Support.pdf](http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary_Higher_Education_Non-formula_Support.pdf); Texas Higher Education Coordinating Board, Overview of Formula Funding, <http://www.theccb.state.tx.us/index.cfm?objectId=4EA741D3-C76D-FBC5-04F664C233E8802B>

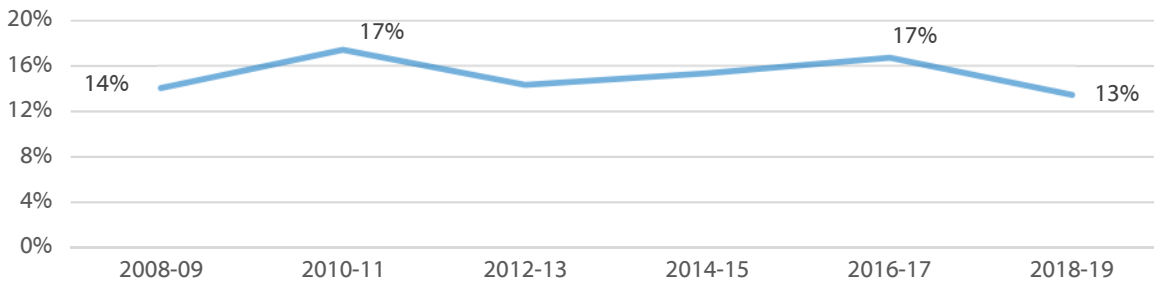




# Decrease in Non-Formula Funding Causes Net Appropriations Decrease for Texas Academic Institutions

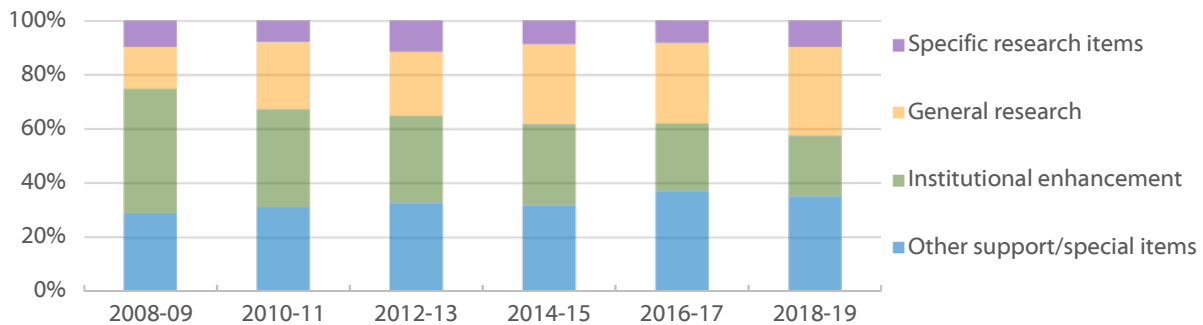
Although it rejected proposed changes to the way the state of Texas funds institutions of higher education, the 85<sup>th</sup> Texas Legislature (2017) passed a General Appropriations Act (budget) that lowered the proportion of appropriations to General Academic Institutions (GAI) covered by non-formula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

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



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

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



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

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

Sources: Legislative Budget Board, General Appropriations Act for the 2018-19 Biennium, [http://www.lbb.state.tx.us/Documents/GAA/General\\_Appropriations\\_Act\\_2018-2019.pdf](http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf); Summary of Higher Education Non-formula Support Items, [http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary\\_Higher\\_Education\\_Non-formula\\_Support.pdf](http://www.lbb.state.tx.us/Documents/Publications/Presentation/Summary_Higher_Education_Non-formula_Support.pdf); Texas Higher Education Coordinating Board, Overview of Formula Funding, <http://www.theccb.state.tx.us/index.cfm?objectid=4EA741D3-C76D-FBC5-04F664C233E8802B>

