
**HOUSE COMMITTEE ON HIGHER EDUCATION
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2002**

**A REPORT TO THE
HOUSE OF REPRESENTATIVES
78TH TEXAS LEGISLATURE**

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Committee On
Higher Education

December 6, 2002

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The Honorable James E. "Pete" Laney
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on Higher Education of the Seventy-Seventh Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Seventy-Eighth Legislature.

Respectfully submitted,

Irma Rangel, Chairwoman

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INTRODUCTION

Upon the commencement of the 77th Legislative Session, the Honorable James E. “Pete” Laney, Speaker of the Texas House of Representatives, appointed nine members to the House Committee on Higher Education. The Committee members included: Irma Rangel-Chairwoman, Fred Brown-Vice Chairman, David L. Farabee, Tony Goolsby, Jesse Jones, Geanie W. Morrison, Elvira Reyna, D.R. “Tom” Uher, and G.E. “Buddy” West.

During the interim, the Committee was assigned the eight following charges by the Speaker:

1. Review problems confronting students regarding the transfer of course credit between institutions of higher education. Evaluate current transfer policies of all higher education institutions and identify ways to simplify transfer between and among institutions.
2. Identify effective measures the legislature, P-16 institutions, the Texas Higher Education Coordinating Board, the Texas Education Agency, and other entities should take to close performance and participation gaps within Texas and consider aligning curriculum and standards in P-16 education to improve student preparation.
3. Review differences in quality, admissions policies, resources and mission between rural and urban institutions of higher education and between community colleges and four-year institutions. Determine whether such differences warrant different performance measures in areas such as retention and graduate rates, faculty workload and funding formulas.
4. Study the reasons and importance of the fact that many institutions have fund balances that are negative or balances are declining over time.
5. Evaluate the need and possible benefits of establishing a state-funded and state-operated chiropractic program in a state university system, including the possible transfer of a private chiropractic institution to a state university system.
6. Review the effects on higher education attendance rates, degree availability, graduation rates and facilities ten years after the beginning of the South Texas/Border Initiative.
7. Evaluate the implementation of SB 149, 75th Legislature, relating to post-tenure review for faculty, and consider faculty workload policies in determining the law’s effectiveness.
8. Actively monitor agencies and institutions under the committee’s oversight jurisdiction.

The Committee met on five separate occasions hearing testimony from leaders within the higher education community, university administrators and staff, and the general public. The Committee extends its warmest thanks to all persons, institutions, and organizations that testified on behalf of the needs and future development of our bright Texas students. *The Committee also extends its most sincere thanks to those who made this report possible.*

INTERIM CHARGE ONE

BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with the following:

Review problems confronting students regarding the transfer of course credit between institutions of higher education. Evaluate current transfer policies of all higher education institutions and identify ways to simplify transfer between and among institutions.

On April 1, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Dr. Don Brown**, Commissioner, Texas Higher Education Coordinating Board
- ▶ **Dr. Sheldon Ekland-Olson**, Executive Vice President & Provost, University of Texas at Austin and Chair, Information Tools Subcommittee-Transfer Issues Advisory Committee
- ▶ **Dr. Stanton C. Calvert**, Vice Chancellor for Governmental Affairs, Texas A&M University System
- ▶ **Dr. Rey Garcia**, Executive Director, Texas Association of Community Colleges
- ▶ **Dr. Jesse Rogers**, President Midwestern State University and Chair, Data Subcommittee-Transfer Issues Advisory Committee
- ▶ **Dr. Millicent Valek**, President, Brazosport College and Member, Transfer Issues Advisory Committee

The Need For Transfer

There are a growing number of students who attend more than one institution of higher education. In order to insure that these students complete their degree in a timely and cost effective manner, the state must insure that students can smoothly transfer their courses from one institution to another. This smooth transfer of course work would enable the state to reach its participation and success goals in higher education.

According to a recent study entitled, *The Community College Transfer Function in the 21st Century*, college student transfer patterns have changed dramatically. Traditionally, it was perceived that students would begin at a community college later transferring to a university. However, the *21st Century* study denotes recent phenomena in transfer practices including:

- ▶ concurrent enrollment--enrollment in both a community college and four-year institution,
- ▶ reverse transfer--transfer direction that is “reverse” of what is expected (e.g.), from a four-year institution to a community college,
- ▶ “summer sessioners”--students who enroll in a community college during the summer to take courses transferable to their four-year institution, and
- ▶ applied transfer--transfer of Associate of Applied Science (AAS) degrees to a four year institution.

In fiscal year 2001, 36,000 students in Texas made the “traditional” transfer from a community college to a university. That same year, 46,000 “non-traditional” students registered at a university and also registered at a community college. These “non-traditional” students often take classes concurrently, in the summer, or while on a break from their university. An additional 28,000 students transferred from one community college to another in the same time period. Thus, community colleges remain, for many students, the primary pathway toward a baccalaureate degree.¹

In 1987, the Texas Legislature and the Texas Higher Education Coordinating Board (THECB), hoping to strengthen transfer policies and articulation agreements (agreements between institutions of higher education that guarantee credit transfer for equivalent courses), called for the development of a statewide core curriculum. In 1997 Senate Bill 148 expanded policy created in 1987, requiring a fully transferable core curriculum of no less than 42 semester credit hours. If a student successfully completes the 42 semester credit hour core curriculum at an institution of higher education, that block of courses may be transferred to any other institution of higher education and must be substituted for the receiving institution’s core curriculum. By September 1999, each public community college and university had adopted a new core curriculum in accordance with SB 148 and THECB requirements instated in 1987. In 2001, House Bill 1359 further expedited the reform of credit transfer practices by requiring THECB to develop field of study curricula for no fewer than 15 degree programs. These “fields of study” curriculum are a set of courses that will satisfy the lower division requirements for a bachelor's degree in a specific academic area at a general academic teaching institution. HB 1359 also required each institution of higher education to publish its practices in transferring course credits between institutions. These measures further ensured the development of a seamless transfer system, specifically with respect to student transfers from public community colleges to public four-year universities.

A 2001 study conducted by the Transfer Issues Advisory Committee of THECB, *Identifying and Closing The Gaps*, found that transfer of credits is generally efficient. Still, while there is no broad systemic problem, certain aspects of transfer could be improved.²

TESTIMONY HIGHLIGHTS

The significance of program quality and course offerings by higher education institutions was raised and reviewed by Committee members. It is assumed by some that the level of education offered by community colleges is sub-par when compared to universities. However, it was reported by the Transfer Issues Advisory Committee of THECB that comparative studies have shown students who are educated at a community college and transfer to a four-year university perform fundamentally at the same level as “native students” (students who enroll in an institution of higher

education and continue their education at that institution).^I

Texas Higher Education Coordinating Board

Dr. Don Brown, Commissioner of THECB, opened the panel discussion on transfer in relation to THECB's *Closing the Gaps* plan: "If a barrier is simply to say by one institution that we are not going to accept credit from a course offered at another institution, even though it appears to be the same course just because it wasn't taught by our institution . . . that would be an unreasonable barrier and we want to get rid of those." The Commissioner informed the Committee of the appeals process that institutions utilize for students who are experiencing difficulties with transfer. He advised Committee members that students may appeal to THECB if they are unsuccessful in their appeals to their institution.

Commissioner Brown provided background on the issue of transfer, its problems, and what is being done.^{II} Overall, he said, transfer of credits between institutions is generally efficient, since most courses transfer easily between institutions. Commissioner Brown cited a study that found that most courses, between 70 to 90 percent, transfer and are applied towards a degree. Commissioner Brown said that a large majority of credit that does not transfer or is not accepted as applicable to a particular degree program is denied for relatively few reasons: the course was a developmental course, the student received a low or failing grade, the course was a technical course and would not apply to an academic major, etc. These occurrences reflect rational circumstances where loss of credit is not for unwarranted reasons.

One of the issues the Commissioner raised was the degree integrity of a receiving school. Schools must uphold the highest standards of academic quality and ensure the integrity of the degrees that are granted from their institution. Commissioner Brown acknowledged that receiving schools are responsible for showing that a student has accumulated knowledge that warrants a degree from that institution. Historically, this has led faculty at receiving institutions to be very careful about what type of credits they will allow to be transferred and count towards a degree. Commissioner Brown noted that this practice is suitable in certain cases. But, "sometimes to an outside observer it looks like they have exercised that responsibility in not a very reasonable way, and have excluded student transfers when they should not have." Commissioner Brown said that a number of tools the state and THECB have developed in Texas over the last decade have helped deal with this issue.

Commissioner Brown cited the Texas Common Course Numbering System (TCCNS) as a

^I See Appendix I-A

^{II} See Appendix I-B

way to streamline course transfer. The TCCNS provides a shared, uniform set of course designations for students and their advisors to use in determining both course equivalency and degree applicability of transfer credit on a statewide basis. Although the TCCNS is not statutorily mandated, most public institutions of higher education in Texas have voluntarily used this tool.

Commissioner Brown completed his presentation to the Committee by noting how the development of the fields of study curricula within high-demand disciplines as described in HB 1359 has led to smoother core course transferability. Commissioner Brown said he felt that a regular system of people talking to each other between the universities and the community colleges would improve transfer.

PANEL DISCUSSION

Midwestern State University

The panel discussion included two university representatives and two community college representatives. The first to speak was Dr. Jesse Rogers, President of Midwestern State University and Chair of the Data Subcommittee of THECB's Transfer Issues Advisory Committee. Dr. Rogers presented a study based on the acceptance of transfer credit hours to the University of North Texas, The University of Texas at Austin, and Midwestern State University. These three institutions examined each student record over a significant period of time. The University of Houston and Texas A&M International University also submitted a sampling of their student records for analysis.

Dr. Rogers reviewed the *Summary Transfer Efficiency* and reported that, in the 1999-2000 school year, an average of 75 percent of semester credit hours transferred, leaving 25 percent that did not. When moving between a community college to a university, only 65 percent transferred, as compared to 85 percent of the hours that transferred from university to university. Dr. Rogers said of that 25 percent that did not transfer, 10.5 percent of community college credits and 7.5 percent of university credits did not transfer for what the subcommittee termed "acceptable reason."^{III} These reasons include remedial classes, low grades, duplicated course work, and classes classified in different levels (e.g., sophomore versus junior). The information taken excluded technical or vocational classes, which comprised 4.5 percent of community college credits and .5 percent of university credits which did not transfer.^{IV}

Dr. Rogers commented that there were more things that can go wrong than can go right when

^{III} See Appendix I-C, graph one

^{IV} See Appendix I-C, graph two

a student transfers from a college to a university or from a university to a university. However he pointed out that the study conducted showed only a small percentage of denials for credit transfer were unexplained. He provided the subcommittee's recommendations on different ways in which improvements can be made to provide seamless transfer between institutions, which included:

- ▶ The clear definition of technical versus academic courses and their differentiation in the course numbering system.
- ▶ Addressing the definition of courses as "lower-division" and "upper division" with titles and descriptions being focused upon, as well as deciding whether or not courses should be taught at the sophomore or junior level of the institutions.
- ▶ Identifying majors that are likely to generate transfer problems, and focus on streamlining those.
- ▶ The inclusion of health science centers in the study of transfer.

Dr. Rogers ended his presentation by arguing against the belief that community colleges may be inferior to public four-year institutions. He stated, "If there were ever any doubts about how students performed when they transferred from colleges to universities or from one university to the next, I believe that we've dispelled them."

The University of Texas at Austin

The second panel presenter was Dr. Sheldon Ekland-Olson, Executive Vice President and Provost at The University of Texas at Austin (UT Austin) and Chair of the Information Tools Subcommittee of THECB's Transfer Issues Advisory Committee. Dr. Ekland-Olson acknowledged that many institutions are struggling with transfer issues and that there were some problems that were not frequently addressed. He said at UT Austin there is an appeals process that students may go through to negotiate transfer credit agreements. But, as the first year is usually the most difficult for many incoming students, the administration is looking for ways to ease the transition and help students make good decisions. He informed the Committee that UT Austin convenes twice a year with a group of community colleges to discuss various topics, such as how to give students better information on transferring. Dr. Ekland-Olson also spoke of UT Austin's online degree audit system, which allows students to complete their degree audits over the internet. Current students may view and request degree audits online and project how future courses might apply toward their degree. Also, prospective students may use the online audit system to estimate how courses from other institutions might apply toward a UT Austin degree. He stated that this tool was providing very useful information to students.

Dr. Ekland-Olson expressed his opinion that the issue of transfer of credit had been resolved except for glitches here and there. For example, one area where transfer is not working well enough is in the area of “reverse transfer”, in which a student transfers from a university to a community college. He said that some students at the universities earned enough credits to be awarded an associate degree and a better system was needed for transferring those credits to a community college. He also conveyed his thoughts that the quality of courses will vary within a university, among different campuses, and between different professors. He suggested developing competency based advising to ensure that information covered in a course is the correct prerequisite for continuation towards a degree. This could be accomplished by allowing students to take a no risk exam whose results can then be built into an advising system where counselors and advisors can talk with students about their next steps.

The Committee also spoke with Dr. Ekland-Olson about overcrowding and its relation to the transfer issue. The Committee acknowledged that due to overcrowding at Texas’ flagship universities, many students do not have anywhere else to go but a community college. For this reason, universities must collaborate with community colleges. Chair Rangel acknowledged that it is beneficial for students to go to community colleges for a part of their education. Nonetheless, they need a chance to attend universities like UT Austin and Texas A&M University, which offer courses that are not available anywhere else.

Brazosport College

Dr. Millicent Valek, President of Brazosport College and member of the Transfer Issues Advisory Committee represented one community college in the panel discussion. Dr. Valek focused on three main points:

- ▶ The importance of the transfer issue
- ▶ The quality of courses issue
- ▶ Key strategies that should help to make the transfer road smoother

Dr. Valek stated that institutions were working cooperatively on the transfer issue, especially at the president, chancellor, and dean level, and that there was a pervasively positive attitude regarding the matter. On the issue of course quality, Dr. Valek went on to say, “there is no qualitative difference between our students. If there is some way that we can continue to get that message out there and let that permeate throughout the system, not just reside at the CEO level or the chief academic leadership level, then I think we will see great things happening.” Dr. Valek indicated that this philosophical stance should not be taken lightly.

Dr. Valek pointed out that 70 percent of all Texas freshmen and sophomores enter higher

education through community colleges and we have to be able to provide quality education to them. She mentioned that all of the institutions at the Committee hearing had articulation agreements, and she said that, if we look at how community colleges and universities are accredited, we find that they must both meet the same standards and are accredited under the same guidelines. She also noted that the professors at community colleges earned their degrees at the same universities as professors who teach at other institutions of higher education

Dr. Valek spoke to the Committee on several key strategies that will help with the transfer issue, one being the development of a statewide standard format for transcripts. She suggested finding multiple means to get information to students, in addition to their course catalog. One of these could be the use of the internet, if it is not already in place. Dr. Valek spoke on the use of a statewide electronic degree audit system and its implications on community colleges. She suggested that the model used by UT Austin could potentially be a model for a statewide system, but she had reservations on the alignment of so many classes. Dr. Valek stated that it would be difficult to coordinate community college curricula with any one institution, but that lower level courses, if agreed upon, could be used.

In correlation with previous panel presenters, Dr. Valek expressed the need to focus on classification of similar courses and to correct problems in this area. She stated that it is critical to determine what courses are considered to be sophomore level versus junior level. Dr. Valek said that sometimes these courses were arbitrarily designated and, when glitches occur in the transfer of these classes, it makes life more difficult for the student.

Texas Association of Community Colleges

The fourth and final panel presentation was by Dr. Rey Garcia, Executive Director of the Texas Association of Community Colleges. Dr. Garcia cited a study by the Ford Foundation which found that transferring was the single most important issue for students. He also stated that he wanted to approach the transfer issue from a different perspective and first take into account the number of students not going on to a university from a community college. In the fall of 2001, less than one third (31.5 percent) of students at community colleges indicated it was their intent to go on to a university. Dr. Garcia said that this group needs to be looked at to find out why they are not thinking about transferring. He said that transferring works well when a student knows their plan but, for the most part, community college students are just experimenting with higher education. He said that such students are not sure if they can succeed and are “just checking it out.” They tend to be initially unaware of what curriculum they will need and usually make this decision later when they are already

enrolled in school. Dr. Garcia pointed out that articulation agreements are not as beneficial to these types of students and he emphasized that these are the students that we need to focus attention on.

Dr. Garcia noted that these students are sometimes confused by all the complex choices they must make when it comes to enrolling. He said that an environment needed to be created where these decisions are easier for students. One way to simplify the process would be to make the Texas Common Course Numbering System (TCCNS) mandatory. He said not every institution uses it and it would be beneficial for students to be able to access such a system. Dr. Garcia also suggested the need to place greater focus on the Associate of Arts (AA) degree and other milestones that students pass through in higher education. It is fiscally wise, said Dr. Garcia, to keep students in school for two years at a time, both for the student and the state. He also said students who complete their AA are two times as likely to graduate with a Bachelor of Arts than students who transfer with less. Dr. Garcia also noted in his suggestions that Texas does not have a good system to transfer technical students to an academic curriculum. He acknowledged that this would be a difficult process, but one that should be worked on. If the above suggestions are not taken into consideration, Dr. Garcia stated that Texas may lose even more of its higher education students.

The hearing of April 1, 2002 was closed by Chair Rangel informing the panelists that she would like them to continue their research and make recommendations to the Committee.

RECOMMENDATIONS

The Committee Recommends:

1. The creation of a statewide common course numbering system applicable to all public institutions of higher education.
2. The clear assignment of individual classes as upper or lower division level.
3. A clear distinction between technical and academic courses.
4. The creation of a statewide degree auditing system accessible to all institutions of higher education.
5. The creation of a statewide transcript, alleviating confusion caused by varied transcript formats.
6. The statewide dissemination of information regarding the benefits of associate degree completion to community college students prior to transferring to a 4-year institution.
7. Implementing clear reverse-transfer (university to community college) policies.

INTERIM CHARGE TWO BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with:

Identify effective measures the legislature, P-16 institutions, the Texas Higher Education Coordinating Board, the Texas Education Agency, and other entities should take to close performance and participation gaps within Texas and consider aligning curriculum and standards in P-16 education to improve student preparation.

On August 1, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Dr. Felipe Alanis**, Commissioner, Texas Education Agency
- ▶ **Dr. Arturo Almendarez**, Deputy Commissioner for Programs and Instruction, Texas Education Agency
- ▶ **Dr. Don Brown**, Commissioner, Texas Higher Education Coordinating Board
- ▶ **Dr. Ed Fuller**, Co-Director for Research, State Board for Educator Certification
- ▶ **Dr. Rey Garcia**, Executive Director, Texas Association of Community Colleges
- ▶ **Dr. Ron Kettler**, Program Administrator, State Board for Educator Certification
- ▶ **Dr. Diana Natalicio**, President, The University of Texas at El Paso

The Committee had previously studied an interim charge from the 76th Legislature, in June 2000, relating to P-16 issues (P-16 refers to pre-kindergarten through college graduation - also referred to as K-12, for kindergarten through high school graduation). At that time, the Committee considered finding ways to strengthen ties and communication between public schools and higher education, as well as the business community. This committee meeting, and its subsequent interim report, emphasized the enormous value of a seamless P-16 system which allows students to make an easy transition from public schooling to higher education³. Numerous national studies have shown the value of a well-tuned P-16 system and several states have taken steps to improve their disjointed education agencies.⁴ It was agreed at the June 2000 meeting that Texas needed to make its P-16 system more efficient if it was to see any improvement in its lagging higher education numbers.

In October 2000, the Texas Higher Education Coordinating Board (THECB) released a new plan for improving higher education in Texas entitled *Closing the Gaps by 2015*. The plan focuses on four key areas of improvement: 1. participation - the number of students attending institutions of higher education, whether they are universities, community colleges, or technical colleges. 2. success - the number of students who finish college and earn their degree, preferably within six years. 3. excellence - the number of colleges and universities that have nationally recognized programs,

related to their respective missions. 4. research - the level of federal and science research funding allotted to Texas universities.⁵

Though research and excellence play critical roles, the primary focus of P-16 issues with regard to *Closing the Gaps* is in the areas of participation and success. It is impossible to examine such issues without acknowledging the role that public secondary schools play in preparing these students well before they attend an institution of higher learning. It is imperative that such students are not only well educated, but that barriers such as economic background, apathy due to lack of awareness of the value of higher education, or insufficient coordination between public and higher education entities, do not prevent students from obtaining a post-secondary degree.⁶

Since the time of the June 2000 P-16 Higher Education Committee meeting and the publication of *Closing the Gaps*, several significant pieces of legislation have been passed which will allow Texas to move closer to the goals stated above. While the various bills are too numerous to mention here (a “Summary of Significant Legislative Actions in Support of *Closing the Gaps*” can be found at <http://www.thecb.state.tx.us/AdvisoryCommittees/HEP/CGlegislation.PDF>), there are a few pieces of legislation that should be noted. With regard to student preparation, HB 1144 makes the Recommended High School Program the default curriculum for all Texas public high school students entering the ninth grade in 2004-2005. Not only will this legislation better prepare students for life after high school, it will make more students eligible for TEXAS Grant money (which is only given to students who have taken the Recommended High School Curriculum) and thus give more access to economically disadvantaged students. In an effort to motivate more students to enroll in higher education, SB 573, with an appropriated \$5 million in seed money, directs the THECB to establish a statewide public awareness campaign that promotes the value and availability of higher education. Rider 36 of the General Appropriation Act, 77th Legislature, mandates that THECB coordinate with the Texas Education Agency (TEA) and the State Board for Educator Certification (SBEC) in order to share, integrate, and house P-16 public education data. Finally, HB 400 requires each public school district with low college-going rates to establish a partnership with an institution of higher education in order to develop and implement a plan aimed at increasing enrollment rates at higher education institutions.⁷

The 76th Legislature Higher Education Committee interim report, which covered the June 2000 P-16 meeting, made a single, significant recommendation: “the formal creation of a statewide K-16 Council, codified by law.”⁸ Prior to that time, and since then, what is now the “P-16 Council” has met voluntarily in order to provide direction to Texas’ P-16 efforts. It comprises representatives from

the TEA, SBEC, and THECB, along with legislative staff, college and university officials, public school officials, and representatives from the business community. THECB Commissioner Dr. Don Brown notes that the Council has assisted the state in three major ways: “by improving communication among different education sectors, by allowing greater exchange of data, and by producing a better-coordinated and more effective educational system in general.”⁹ According to Dr. Brown, one of the most important pieces of P-16 legislation to follow this upcoming legislative session will be the Sunset Commission’s recommendation that the P-16 council be authorized in statute.

TESTIMONY HIGHLIGHTS

Texas Higher Education Coordinating Board and Texas Education Agency

Dr. Don Brown, Commissioner of the Texas Higher Education Coordinating Board, focused the majority of his testimony on the *Closing the Gaps* plan and the State’s progress with regard to P-16 issues. He stated that THECB and various universities had P-16 goals and strategies in place for some time. He noted that the success of *Closing the Gaps* would be directly linked to P-16 efforts because higher education alone could not close the gaps without strides being made at all levels of education. With regard to preparation, he emphasized conveying to students and families the need to take the proper courses to prepare them for success after high school. Along these lines, the legislation that requires the Recommended High School Curriculum will help achieve the goal of better student preparation.

An extra incentive for students to take the Recommended High School Curriculum is a stipulation that anyone who maintains a “B” average is exempt from the Texas Academic Skills Program (TASP) test. After the Committee discussed certain aspects of the TASP, Dr. Brown moved the conversation to a discussion of the newly formulated Texas Assessment of Knowledge and Skills (TAKS) test. The more difficult TAKS, Dr. Brown noted, would be designed to determine whether a student meets certain requirements and is prepared for college. One would expect the TAKS to prove a pivotal link between high school and higher education.

Vice-Chair Fred Brown stated that he was pleased with the recent emphasis on P-16 collaboration. He wondered whether this shift in focus warranted the consideration of appointing one commissioner of education. Chair Rangel echoed those sentiments, noting that she had introduced similar legislation four years ago. Commissioner Brown suggested that whatever action most benefitted Texas students would be best and that one option would be to combine the THECB, TEA, and SBEC, if they did not achieve desired results separately. However, he commented that combining

the agencies' employees, which number roughly 1,200 cumulatively, might lead to a rather large bureaucracy. This merger would require several years, in order to mesh all of the agencies' goals and cultures. Such a large overhaul might distract the state from achieving its desired goals by 2015. He noted that some states, such as Florida, Idaho, and New York, already had such a system in place, but that Texas was still far ahead of these states with regard to P-16 issues. He suggested that it might be best to monitor a state like Florida, which recently adopted a single-commissioner system, in order to learn the pros and cons of such a system.

Vice-Chair Brown then noted the recent increase in the number of students taking remedial courses during their first years in college and wondered what could be done to bring those numbers down. Commissioner Brown agreed that this was a critical P-16 issue and that better interaction between higher education and public education was one way to remedy it. He noted that the number of students who begin their college careers with remediation and go on to earn their degree was very low. He said that improved communication between state agencies should do much to reverse this trend and that, in fact, the level of developmental education at universities had decreased over the last three biennia, reaching a plateau at the community college level.

Commissioner Brown then discussed the P-16 Council and its role as the primary means for state agency leaders to communicate. He noted that the council met for two hours every two months and that it was an excellent way for the agencies to work together in order to better prepare students. Vice-Chair Brown voiced his concern that meeting once or twice a month was not enough communication time for the agencies to coordinate their efforts. He suggested that the agencies should be in communication every day if they wanted the best results from coordinating their efforts.

In response to Vice-Chair Brown's concerns, Dr. Felipe Alanis, Commissioner of the Texas Education Agency, entered the discussion. He stated that these were valid concerns and that the agencies had begun to attempt communication on a weekly basis. In addition, he introduced Dr. Arturo Almendarez, Deputy Commissioner for Programs and Instruction with TEA, who acted as a constant liaison between the various agencies. Dr. Alanis felt that such steps would improve cooperation and collaboration among the agencies.

Representative Tom Uher then shifted the discussion back to the issue of testing. He commented that the state had made great strides during his 35 years in office but wondered, with the advent of the new TAKS test, whether students were now being tested too much. Dr. Alanis agreed that too much testing should be avoided, but he felt that the new TAKS offered several advantages when compared to its predecessors. First, he stated that the TAKS was a much more difficult test,

which will hopefully lead to students who are better prepared for college. Second, the test is better aligned with the curriculum that students are being taught in the classroom. This will discourage the common trend of simply teaching students certain strategies for beating the test rather than learning new material, a phenomenon that Representative Uher had noted earlier. In addition, as Commissioner Brown also noted, a student's score on the TAKS will contain a component that assesses his or her preparedness for college.

Several committee members noted that there was often a lot of unproductive finger pointing between agencies when it came to solving P-16 issues. Both Dr. Alanis and Dr. Brown emphasized the new spirit of cooperation that was taking place between the agency heads and that "playing the blame game" was recognized as a thing of the past. Commissioner Brown stated that the agencies were more focused now on the goals of *Closing the Gaps* and the benefits it would have for students. Chair Rangel expressed her pleasure with the cooperation that was taking place between the agencies, particularly between Dr. Alanis and Dr. Brown.

Dr. Brown concluded his remarks by noting a few things worth mentioning from the *Closing the Gaps* report. He reported that participation rates in California and Illinois included roughly 6 percent of the population, but rates in Texas had sunk from an already low 5.3 percent in 1990 to 4.9 percent in 2000. He stated one of the goals of *Closing the Gaps* was to get this figure back up to 5.7 percent by 2015. This would mean adding roughly 500,000 students, expecting that 200,000 of those would naturally come in due to population growth. The crux of the issue was maintaining the additional 300,000 students who are not expected to enroll in higher education by 2015. In order to achieve this monumental goal, Texas must excel in dealing with P-16 issues.

State Board for Educator Certification

Dr. Ron Ketler, Program Administrator in the Office of Accountability for the State Board for Educator Certification (SBEC), mainly offered insight into teachers' perspectives regarding P-16 issues. He noted that the state had set standards for educators in the classroom, but the educators' preparation programs needed to have standards that matched those put forth by the state. Dr. Ed Fuller, Co-Director for Research for SBEC, responded to questions from Chair Rangel by noting that the number of African American and Hispanic teachers has increased in recent years.

The University of Texas at El Paso/ El Paso Collaborative for Academic Excellence

Dr. Diana Natalicio, President of The University of Texas at El Paso (UTEP), spoke to the Committee regarding the El Paso Collaborative for Academic Excellence and its relation to P-16 issues. She noted that she had chaired the Collaborative since its inception in 1991. It was brought

about “by a shared urgency about unacceptably low academic achievement levels in our community.” The Collaborative represented a joint effort between UTEP, surrounding area high schools, and the overall community, including business leaders. The Collaborative set its sites on a number of educational problems that existed throughout the community. Among them was the fact that certain El Paso high schools were sending a high number of graduates to certain universities while other high schools, particularly those with high minority enrollment, were sending too few. High school graduation rates for the latter were typically very low, thus preventing students from having a chance to enroll in college. However, due in large part to efforts from the Collaborative, Dr. Natalicio reported that high school graduation rates rose, from a low of 69 percent in 1995, to 75 percent in 2000, the highest among all comparable school districts in the state.

In closing her remarks, Dr. Natalicio indicated that the Collaborative could be used as a model for statewide P-16 efforts. She stated that, in order to achieve the kind of results produced by the Collaborative, all aspects of the community must work together and there can be no room for political infighting, stating that “broad-based reform can never be accomplished alone.”

Texas Association of Community Colleges

Dr. Rey Garcia, Executive Director of the Texas Association of Community Colleges (TACC) gave testimony on the role of community colleges in the P-16 process. He noted that since community colleges represented the “13” and “14” of the P-16 process, they were an important transfer piece. He stated that one of the key ways in which community colleges were becoming involved in the process was their role in concurrent enrollment. He felt there had been a good deal of collaboration in this area and, because of this, there were now roughly 30,000 high school students enrolled in concurrent programs.

With regard to the issue of transferring course credits, Dr. Garcia noted that community colleges played a vital role, as they had become the primary entrance point into higher education for over 70 percent of higher education students. He commented that it was important to make the transition from community colleges to universities as seamless as possible. He then introduced Dr. Richard Armenta as the new university/college liaison who would be involved in the collaboration between TACC and the Texas A&M and University of Texas Systems.

As for future endeavors in P-16 issues, Dr. Garcia noted that the TACC had agreed to partner with the Education Commission of the States, along with Illinois and Nevada, in order to form a task force that would study barriers to community college. The study will be funded by a grant from the U.S. Department of Education and will examine a number of initiatives, such as the continued

expansion of alternative certification programs.

Chair Rangel closed the meeting by saying that she was encouraged by the close collaboration that was taking place between the various state agencies. She noted that the success of *Closing the Gaps*, and the future of Texas students, are contingent upon maintaining this level of cooperation.

RECOMMENDATIONS

1. The Committee recommends that the Texas Legislature pass legislation eliminating the Texas Education Agency and the Higher Education Coordinating Board while creating a single, state agency to oversee public and higher education in Texas.
2. Abolish the Texas Academic Skills Program (TASP) as it has proven to be an ever present barrier to Texas students seeking a higher education.

INTERIM CHARGE THREE BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with:

Review differences in quality, admissions policies, resources and mission between rural and urban institutions of higher education and between community colleges and four-year institutions. Determine whether such differences warrant different performance measures in areas such as retention and graduate rates, faculty workload and funding formulas.

On July 31, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Ms. Teri Flack**, Deputy Commissioner, Texas Higher Education Coordinating Board
- ▶ **Dr. Robert R. Furgason**, President, Texas A&M University Corpus Christi
- ▶ **Dr. Rey Garcia**, Executive Director, Texas Association of Community Colleges
- ▶ **Dr. Ray M. Keck**, President, Texas A&M International University
- ▶ **Dr. Rodney H. Mabry**, President, The University of Texas at Tyler
- ▶ **Dr. Keith McFarland**, President, Texas A&M University Commerce
- ▶ **Dr. R. Vic Morgan**, President, Sul Ross State University
- ▶ **Dr. Miguel A. Nevarez**, President, The University of Texas Pan American
- ▶ **Dr. Dennis Poole**, Professor, School of Social Work, The University of Texas at Austin
- ▶ **Dr. Ricardo Romo**, President, The University of Texas San Antonio
- ▶ **Ms. Sandra Tenorio**, Executive Director, Texas Rural Communities, Inc.

Rural Educational Opportunities

Educational opportunities for rural students and resources afforded to institutions within rural counties comprise an area of little research. Nonetheless, these issues are of huge consequence to the state's higher education plan, *Closing the Gaps by 2015*. Issues involving rural student educational attainment, availability, and expectations were discussed by Committee members. Resources afforded to rural institutions were also explored, yielding the following testimony.

TESTIMONY HIGHLIGHTS

Texas Higher Education Coordinating Board

Ms. Teri Flack, Deputy Commissioner for the Texas Higher Education Coordinating Board (THECB), spoke to the charge from an institutional and student enrollment perspective. She provided information defining rural counties, students, and institutions of higher education. She also covered the scope of admissions policies and missions at rural versus urban institutions. Ms. Flack highlighted rural participation rates and discussed initiatives in encouraging rural students to participate in higher

education, aiding the state in its *Closing the Gaps* plan.

Ms. Flack first supplied THECB's definition of rural counties, students, and institutions, citing a 2000 House Select Committee on Rural Development definition extrapolated from the federal Office of Management and Budget and used by the Texas Data Center. She defined rural counties as:

“Counties whose urbanization status has been specified as non-metropolitan (i.e. rural). Metropolitan counties are defined by the Office of Management and Budget and are generally either (1) large central city counties with residents of 50,000 or more, or (2) suburban counties adjacent to such central city counties that have large numbers of workers migrating to the central city county for work. All counties that are not metropolitan are considered non-metropolitan or rural.”

Using this definition, with a total population of 21.2 million people in 2001, 3.2 million or 15 percent of all Texans were classified as rural. Rural institutions and rural students were identified by THECB using these same guidelines. THECB found that four general academic institutions and 19 two-year colleges are located in rural counties. These institutions included:

General Academic Teaching Institutions:

- ▶ Sam Houston State University (Walker)
- ▶ Stephen F. Austin State University (Nacogdoches)
- ▶ Sul Ross State University (Brewster)
- ▶ Tarleton State University (Erath)

Community, Junior, and Technical Colleges:

- ▶ Angelina College (Angelina)
- ▶ Blinn College (Washington)
- ▶ Cisco Junior College (Eastland)
- ▶ Clarendon College (Donley)
- ▶ Coastal Bend College (Bee)
- ▶ Frank Phillips College (Hutchinson)
- ▶ Howard County Junior College District
 - ▶ Howard College (Howard)
 - ▶ Southwest Collegiate Institute for the Deaf (Howard)
- ▶ Kilgore College (Gregg)
- ▶ Navarro College (Navarro)
- ▶ Northeast Texas Community College (Camp)
- ▶ Panola College (Panola)
- ▶ Paris Junior College (Lamar)
- ▶ Ranger College (Eastland)
- ▶ South Plains College (Hockley)
- ▶ Southwest Texas Junior College (Uvalde)
- ▶ Vernon Regional Junior College (Wilbarger)
- ▶ Western Texas College (Scurry)
- ▶ Wharton County Junior College (Wharton)

Source: THECB, July 2002

Based on 2001 data obtained by THECB, there were 909,083 students enrolled in higher education, of which 113,725 (12.5 percent) were classified as rural.

Ms. Flack discussed missions, admissions policies, resources and quality at rural versus urban institutions of higher education. Ms. Flack commented that regional missions tended to be quite

similar between institutions. However, varied methods of employing those missions was evident. Ms. Flack highlighted a community colleges' statutory mission "(to offer) vocational, technical, and academic courses for certification or associate degrees. (And to offer) continuing education, remedial and compensatory education consistent with open-admission policies, and programs of counseling and guidance..." She continued, stating that smaller rural colleges may offer a limited range of programs tailored to their communities specific workforce needs. Hence, many of these institutions focus on their ability to transfer rural students to different institutions with broader program offerings.

Ms. Flack explained that there were no sizable differences between rural and urban institutions' admissions policies. Regional institutions generally have less strenuous admissions policies while more-selective institutions, regardless of location, maintain more difficult standards of admission.

The largest difference highlighted between rural and urban institutions by Ms. Flack concerned financial resources. This point is best illustrated by examining community college districts net assessed valuations. Of the 50 existing community college districts, 23 community colleges do not have the net assessed valuations of \$2.5 billion to maintain a community college district. Nineteen of the 23 community colleges unable to maintain this net assessed valuation, or 83 percent, are considered to be located in rural districts. Although many of these districts tax their community at the highest possible tax rate, many are unable to accumulate significant amounts of revenue for their district. Such lack of funding hampers these districts' ability to build, maintain, and operate buildings.

Ms. Flack also touched upon formula funding, stating that appropriations to fund instruction and operations at institutions, relative to their baccalaureate and doctoral course offerings, determined their monetary resources and ability to maintain a diverse range of program course offerings. With respect to community colleges, she stated that technical programs proved difficult to maintain due to their high operating cost. Although technical programs are funded at higher levels, many rural schools have small student enrollments, making the cost of high-tech programs and equipment difficult to negotiate for an institution with smaller amounts of funding.

In discussing the quality of programs offered at rural versus urban institutions, Ms. Flack contended that THECB found high quality programs were offered at all Texas public institutions. However, due to resources, the number and range of programs can be limited at rural colleges. Ms. Flack provided the Committee with further information regarding rural versus non-rural student

participation. According to THECB, participation rates in Texas public higher education institutions, excluding health science centers, are as follow:

Rural Students	3.4%
Non-Rural Students	4.2%

The above data indicates that rural student participation rates are lower than non-rural students and fall below the average participation rate of all students.

Ms. Flack explained four sets of attachments, illustrating the following points:

- ▶ Considering participation of students from rural high schools in relation to their first-time entering undergraduate class (1997-2001)^V:
 - For rural universities, the percentage of entering classes comprised of rural students has not changed from 1997 to 2001 (approximately 25 percent each year),
 - The growth in rural students has been greater than overall freshman enrollment growth (4.3 percent versus .3 percent),
 - For non-rural universities, the percentage of entering classes comprised of rural students has not changed from 1997 to 2001 (approximately 11 percent each year),
 - The growth in non-rural students has outpaced the growth in freshman enrollment overall (22 percent versus 19.5 percent).
- ▶ Considering the total enrollment of students from rural counties compared to total enrollments by institutions (1997-2001):^{VI}
 - For rural universities, the percentage of entering classes comprised of rural students has slightly decreased, from 41.0 percent to 38.5 percent, down by 3.5 percent from 1997 to 2001.
 - For non-rural universities, the percentage of entering classes comprised of rural students has increased slightly, from 9.8 percent in 1997 to 10.1 percent in 2002. However, like rural universities, the increase in rural students has outpaced the growth in freshman enrollment overall (11.8 percent versus 9.3 percent).
- ▶ Considering the enrollment of first-time entering students from rural counties to first-time entering class at public two-year institutions (1997-2001):^{VII}
 - Total freshmen enrollment has increased by 20.4 percent from 1997 to 2001. However, the number of students from rural counties has remained flat, changing from 17.1 percent in 1997 to 17 percent in 2001.
- ▶ Considering the total enrollment of students from rural counties compared to total enrollment by institution at public two-year colleges (1997-2001)^{VIII}:
 - Of the 19 rural community colleges in Texas, students from rural counties constitute a

^V See Appendix II-A

^{VI} See Appendix II-B

^{VII} See Appendix II-C

^{VIII} See Appendix II-D

large percentage of their total enrollment (52.5 percent). Overall, student enrollment at the 19 rural community colleges has increased by 18.6 percent while rural student enrollment has increased by 14.8 percent,

- At non-rural community colleges, rural students comprise 6.3 percent of the student population in 2001, up only slightly from 6 percent in 1997.
- The growth of rural students has been greater than the growth of non-rural students (18.2 percent versus 12.5 percent).

Ms. Flack concluded her testimony by highlighting initiatives geared toward increasing rural student participation and touched on efforts to improve rural institutions. Such initiatives include:

- ▶ Expansion of the TEXAS Grant Program and the creation of the TEXAS Grant II Program.
- ▶ The creation of the Public Awareness and Motivational Campaign, allotting \$5 million in start-up funds, to better inform students, parents, teachers, school administrators, and the community of higher educational opportunities and the value of higher education.
- ▶ Partnerships with low-college going independent school districts with local institutions of higher education, bridging communication and participation gaps.
- ▶ The proliferation of college enrollment workshops aiding to increase the number of students enrolling in higher education.
- ▶ Further utilization of distance learning for concurrent enrollment, (i.e., the “Virtual College” of Texas) and other efforts employed by two- and four-year institutions to enable rural youth to enter higher education programs.
- ▶ The Rural College Focus Group, funded via the Carl D. Perkins Vocational and Technical Education Act, which groups the 19 rural community colleges and helps to identify and tackle existing barriers these institutions encounter. These efforts improve institutional leadership activities and vocational and technical program offerings.

Dr. Dennis Poole, Participation of Rural Youth in Higher Education

Rural students are confronted by a myriad of obstacles when attempting to engage in higher education. Such obstacles are categorized in Dr. Dennis Poole’s testimony as comprising systems, community, family, and personal factors that work to aid or hinder a student approaching higher education’s doors.

Dr. Poole testified that systems factors, including deficient financial resources, lack of access to preparatory curricula, and insufficient information regarding college and career planning, pose significant hurdles for rural youth. In his study, *Participation of Rural Youth in Higher Education*, Dr. Poole noted an Institute for the Local Government Administration and Rural Development survey of rural high school seniors illustrating the ramifications of these obstacles. Of 1,553 seniors surveyed, 80 percent said they wanted to attend college while only about 30 percent actually

matriculated.¹⁰

Community factors also influence rural students' willingness and ability to attend college. Dr. Poole explained how rural students sometimes have less contact with college educated role models, are afforded fewer professional opportunities upon return to their communities from college, and are sometimes discouraged by family and friends from attending an institution of higher learning. Sheer proximity can also prove to be an impediment for rural students, as many do not live in communities with immediate access to two-year and/or four-year institutions.

Parental educational attainment and means of encouraging their children to pursue a higher education encompass Dr. Poole's family factors. Family factors include parents who have not attended an institution of higher education and lack the hands-on experience to articulate the value of a college education to their children. A North Carolina survey cited by Dr. Poole found that, "rural students felt no pressure to attend college when parent expectations and parent level of education were low. Study participants whose parents were not college educated said that their parents did not understand that higher education would benefit their children."¹¹

Dr. Poole also described personal factors holding many rural students back stating, "many rural students doubt that they are capable of competing in a college environment." Lack of confidence, lower aspirations, culture shock, and high school "tracking" compose several circumstances that fail to empower rural youth to participate at rates similar to their urban peers.

To address the obstacles faced by rural youth, Dr. Poole suggested an array of measures including mentor programs, parent and community involvement, the use of technology to bridge distance gaps, and financial planning. Exposure to the positives of higher education (academic and career benefits) and "un-tracking" of high school students were also denoted as critical for rural student success.

Texas Association of Community Colleges

Dr. Rey Garcia, Executive Director of the Texas Association of Community Colleges, echoed much of Ms. Flack's testimony regarding existing funding mechanisms and their subsequent affects on rural community colleges. Being that all but one rural community college district lack the tax base to generate the large sums of money needed to support very basic institutional needs, the ability to serve students is hampered. Dr. Garcia explained that, in order to address funding woes, community colleges often charge in-district and out-of-district tuition. While out-of-district tuition may help community colleges recoup monies not garnered through property taxes, participation rates can decrease because students are "priced-out" of matriculating.

Dr. Garcia went on to propose an alternative criterion for defining different types of community colleges. He suggested four community college categories, the first category encompassing rural areas with fewer than 2,500 students outside of a metropolitan statistical area.

The second proposed category would reflect rural colleges that serve both rural and metropolitan areas. The third category would consist of metropolitan areas that serve primarily rural communities while the fourth category would solely serve metropolitan areas. Dr. Garcia explained that this method of consideration may allow policy makers to have a clearer picture of the vantage point from which a particular community college is coming from and what sort of consideration may be merited as a result of that vantage point.

Community colleges are also faced with unique challenges when attempting to build up their program offerings while complying with THECB's requirements for program expansion. Rural community colleges, often located in areas with less employment opportunities than their urban counterparts, are left at a disadvantage because they are unable to provide THECB with employment availability within the community college's immediate area. Dr. Garcia suggested policy makers consider statewide employment demands rather than local employment demands as a determining factor in program expansion, especially within rural community college districts. Additional challenges highlighted in Dr. Garcia's testimony included difficulty in faculty recruitment and retention and transportation challenges for rural students.

Panel discussions with University Presidents

The Committee heard testimony from several university presidents, about the unique challenges faced by institutions that are rurally located or serve many rural students. Dr. Robert Furgason, President of Texas A&M University-Corpus Christi, stated that, in order for institutions to attract students, attention must be paid to resources allotted to those institutions. Dr. Furgason articulated his criticism of current formula funding, considering the low weights assessed to programs requiring high amounts of faculty contact and care for students. Dr. Furgason contended, "attention correlates with retention" noting the critical importance of faculty contact and involvement with students who are enrolled in programs that generate smaller amounts of formula funding. He contended that there are no over-funded academic programs; however, more funding may be merited in order to foster excellence within each program at an institution, especially those that are in or serve rural communities and students.

Dr. Rey Keck, President of Texas A&M International University, highlighted the importance of institutional initiatives in reaching out to rural areas, especially in light of the state's *Closing the Gaps* plan. The expense incurred in reaching out to rural areas has proven especially taxing, considering the human effort necessary in driving proper outreach programs. President Keck explained how funding for such outreach programs often came from federal or independent sources, which were quickly depleting. Without state or outside support, outreach efforts to rural areas might be further curtailed. Although outreach funds are hard to come by, Dr. Keck contended that current state efforts, including the forthcoming status of the Recommended High School program becoming

the default curriculum for high school graduation, will only work to better prepare rural students for the demands of a college or university.

Dr. Keith McFarland, President of Texas A&M University-Commerce, built upon Dr. Keck's observations, claiming that many students arrive at his institution ill prepared for the rigors of college. Dr. McFarland stated that financial difficulty is a significant inhibitor for rural youth interested in pursuing a higher education. Because many students had not taken the Recommended High School program, many were ineligible for the TEXAS Grant. Therefore these students could not receive grant monies. He also contended that students often left the university, dropping in and out of school, due to financial circumstances. Many students, especially those in rural areas, are forced to work one semester and study the next semester, increasing the number of years necessary for their eventual graduation.

Dr. Rodney Mabry, President of The University of Texas at Tyler (UT-Tyler), expressed similar sentiments to Dr. McFarland's, stating that UT-Tyler encountered much difficulty in recruiting and retaining rural students. Lack of academic preparation and information on financial aid programs were cited as significant barriers to access and success.

The value of the Recommended High School program was further emphasized by Dr. Miguel Nevarez, President of The University of Texas-Pan American (UTPA). Dr. Nevarez expressed the significance of advising and outreach efforts and suggested that, a university's requirement of the Recommended High School program for admission into an institution will motivate and better prepare students for the rigors of higher learning.

Dr. Ricardo Romo, President of The University of Texas at San Antonio (UTSA), emphasized the role of K-12 and higher education partnerships in informing all students of opportunities in higher education. Dr. Romo contended that work needed to be done in creating and maintaining fluid relationships between public schools and colleges and universities. He claimed that, due to scheduling issues within public education, it proved difficult for UTSA officials to infiltrate a high school and speak to students about their educational options. He contended that UTSA was relegated to college fairs and college nights due to scheduling conflicts within public schools. Dr. Romo also expressed how the current requirement of the Recommended High School Program for the TEXAS Grant proved an obstacle for students at UTSA, including those from rural areas. He suggested that this requirement be reconsidered until it is the default curriculum observed across the state.

Dr. Vic Morgan, President of Sul Ross State University (SRSU), illustrated the dynamics that a truly rural institution is faced with, showing committee members how SRSU accommodates students from a 61,000 square mile service area. He explained how SRSU is the only border institution serving this geographical region with both baccalaureate and master's degrees and with no support from local junior or community colleges. Due to SRSU's massive geographical service area, Dr. Morgan

emphasized the importance of distance education options, including wireless technology. He also contended that formula funding served as an obstacle to rural schools, and hence, proved detrimental to rural students.

RECOMMENDATIONS

1. Institute transportation programs geared toward rural students and their specific needs, providing students the means to travel to and from institutions of higher education.
2. Implement distance education options for rural students calling upon best-practices and utilizing technology to empower rural students.
3. Reconfigure formula funding to higher education institutions in order to better serve the needs of rural students.

INTERIM CHARGE FOUR
BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with:

Study the reasons and importance of the fact that many institutions have fund balances that are negative or balances are declining over time.

On May 7, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Mr. Phil Diebel**, Vice President for Finance and Business Affairs, The University of North Texas and Special Assistant to the Chancellor, the University of North Texas System
- ▶ **Mr. Kelton M. Green CPA, CFE**, Managing Senior Auditor, State Auditor's Office
- ▶ **Mr. Randy Harris**, Vice Chancellor for Administration and Finance, The University of Houston System
- ▶ **Mr. Ronald W. Jackson**, Chief Financial Officer, Texas Cooperative Extension and Texas Wildlife Damage Management Service
- ▶ **Mr. Tom Kale**, Vice Chancellor for Business Services, The Texas A&M University System
- ▶ **Mr. Kerry Kennedy**, Executive Vice Chancellor for Business Affairs, The University of Texas System Administration
- ▶ **Mr. Steve Lynch**, Executive Vice President for Business Affairs and Chief Financial Officer, The University of Texas Health Science Center at San Antonio
- ▶ **Mr. Mike McCalland**, Chief Financial Officer, Texas Agricultural Experiment Station
- ▶ **Mr. Lawrence E. Revill**, Chief Financial Officer, The University of Texas Medical Branch at Galveston
- ▶ **Mr. Tony Rose**, Risk Assessment Analyst, State Auditor's Office
- ▶ **Dr. Priscilla Slade**, President, Texas Southern University
- ▶ **Mr. Lamar Urbanovsky**, Chancellor, Texas State University System
- ▶ **Mr. Quintin Wiggins**, Senior Vice President of Finance, Texas Southern University

In order to fulfill the charge, the Committee called upon the State Auditor's Office for information to identify institutions and agencies with negative and declining fund balances. The information used to identify these institutions and agencies is from fiscal year 2001 and may not reflect current fund balances.

State Auditor's Office¹²

Universities pay for most operation and maintenance costs from four different types of funds, collectively referred to as Current Funds. These funds include:

- ▶ **Educational and General Funds (Functional and General at the service agencies)**- Funds for administration, institutional expense, instructional and departmental research, physical plant

operation, libraries, and other instruction expenses. Primary funding sources include: tuition, selected fees, General Revenue and HEAF appropriations, grants and contracts.

- ▶ **Designated Funds-** Funds arising from sources designated by the university's governing board or management. Primary funding sources include: designated tuition, selected fees, grants and contracts, revenue from sales and services of educational activities, and investment income.
- ▶ **Auxiliary Enterprises-** Funds for activities which furnish services to students, faculty, or staff including dorms, food services, bookstores, and athletics. Primary funding sources include: student service fees, other fees, and revenue from sales and services.
- ▶ **Restricted Funds-** Funds that are restricted by outside entities or persons, including student financial aid and research. Primary funding sources include: gifts, grants, and contracts from federal, state, local, and private sources, and endowment income.

Deficits and declines in fund balances often result from major revenue decreases or major expenditure increases. University managers must recognize those changes and adjust budgets accordingly. Reduced budgets and transfers from other sources may be needed to offset deficits and halt continued fund balance declines.

The SAO has reviewed fund balances and trends in balances reported by institutions over the past four fiscal years (FY 1998 thru FY 2001). The following deficits and trends were noted:

Lamar University-Beaumont

- ▶ Decline of \$8.2 million in the fund balance for Educational and General Funds during FY 2001.

University of Houston System Administration

- ▶ Declines in fund balances of Educational and General Funds in the last two fiscal years.

The University of Texas Health Science Center at Fort Worth

- ▶ Decline of \$4.6 million in the fund balance for Educational and General Funds in the last two fiscal years.

The University of Texas Medical Branch at Galveston

- ▶ Decline of \$56 million in the fund balance for Educational and General Funds over the past four years.

The University of Texas Health Science Center at San Antonio

- ▶ Deficit fund balance in Educational and General Funds at the end of each of the past four fiscal years. Note: the Health Science Center reports substantial increases in Designated and Restricted fund balances over the past four fiscal years.

Texas Southern University

- ▶ Deficit fund balances totaling \$12.3 million at as of August 31, 2001, in all four Current Funds and a \$13 million deficit in Unexpected Plant Funds (used to account for construction).
- ▶ Declining trends in fund balances, ranging from \$4.4 million to \$12.4 million, in three of four Current Funds over the past four fiscal years.

Texas Agriculture Experiment Station

- ▶ Declines in fund balances of Functional and General Funds and Restricted Funds over the past four fiscal years, offset in part by fund balances increases in Designated Funds.

Texas Cooperative Extension

- ▶ Deficit fund balances as of August 31, 2001, totaling \$3.8 million in Functional and General Funds and Restricted Funds.

Texas Wildlife Damage Management Service

- ▶ Deficit fund balance of \$189,000 in Functional and General Funds as of August 31, 2001. These nine universities and institutions represent 15 percent of the 60 public universities, systems, and A&M service agencies in Texas.

TESTIMONY HIGHLIGHTS

The House Committee on Higher Education requested that each identified institution answer the following questions in preparation for presentation before the Committee:

- ▶ **Have causes of the deficits or declines in fund balances been determined?**
- ▶ **What steps have been taken to alleviate the deficits or declines?**
- ▶ **Deficits have existed for several years. Why hasn't corrective action been taken? When is corrective action planned?**
- ▶ **Declines in fund balances have continued for several years. Why hasn't corrective action been taken? When is corrective action planned?**
- ▶ **Is the System aware of the deficits or declines? What correction or directive has the System offered?**
- ▶ **Is the Board aware of the deficit or decline in fund balance? Has the Board issued a directive on the subject?**
- ▶ **What steps has the institution, or its system, taken to accurately project and respond to fluctuations in student enrollment?**

The first presentation before the committee was by Mr. Kelton Green and Mr. Tony Rose, both auditors from the State Auditor's Office. Their written presentation was as follows:

“The basic accounting equation on the subject of deficit and declining fund balances is $\text{Assets-Liabilities} = \text{Fund Balance}$. A negative fund balance occurs when an agency or university ends an accounting period (say the end of the fiscal year) with more liabilities than it has assets. In effect, deficit fund balances indicate that if a university had to cash out, they would not have enough assets to cover all they owe. While this is not likely to occur, a deficit fund balance may indicate that a university has been overspending its resources and can be a cause for concern.

It is important to note that universities account for resources and expenditures in multiple funds in order to ensure that resources are used for intended purposes. One fund may end the fiscal

year with a deficit, while other funds end the year with surpluses. Universities sometimes have flexibility which would allow them to make transfers between funds to cover deficits.

The State Auditor's Office has assessed the fund balance totals reported by higher education entities over the last four fiscal years. We looked at current fund balances only which are resources used to finance current operations and maintenance. Four of the 60 entities we looked at reported fund balance deficits as of August 31, 2001. Another 5 entities appeared to have significant fund balance declines in the four-year period (Fiscal Years 1998 thru 2001).

We have not researched the causes of these deficits or declines but believe the Committee will find that University financial officers are knowledgeable of those causes. We also realize that in several instances the deficits and some of the declines may result from the accounting practice of recognizing non-current liabilities, such as the total of accrued compensable absences.

We have provided graphs on those nine entities to the Committee.^{IX} We would also like to point out that eight months have elapsed since the end of fiscal year 2001. It is possible that some deficits no longer exist and that some of the fund balance declines may have been reversed.”

RESPONSE FROM INSTITUTIONS

Lamar University-Beaumont

Mr. Lamar Urbanovsky, Chancellor of the Texas State University System, spoke on behalf of Lamar University at Beaumont. Chancellor Urbanovsky stated one reason for the declining fund balances is that some Higher Education Assistance Fund (HEAF) monies had been moved to pay for planned construction and maintenance. He also reported that fund balances were now at \$24 million after an infusion of appropriated funds and tuition.

University of Houston System Administration

Mr. Randy Harris, Vice Chancellor for Administration and Finance at the University of Houston System(UH System), explained that the primary reason for the decline in balances within the UH System is the transfer of funds into the System for the installation of PeopleSoft, a new computer program for use by all the system institutions. Mr. Harris stated that the fund balance at the UH System had grown to \$29 million and that a part of that funding had been used for the PeopleSoft implementation. He reported a current balance of \$15.5 million, noting that the system had not had a deficit.

University of North Texas Health Science Center at Fort Worth

Mr. Phil Diebel, Vice President for Finance and Business Affairs at the University of North Texas System, stated that the primary reason for the decline at the Health Science Center (HSC) was

^{IX} See Appendix III-A

the \$2.6 million reserve requirement for compensable employee absences as part of Annual Financial Reporting. Without this accrued leave reserve, the fund balance would be positive. He added that the expenditure of the HEAF funds had also been a factor contributing toward the negative fund balance. He stated that appropriate steps, such as the reduction of expenditures, had been taken to ensure that the negative balances would be gone at the end of the fiscal year. Along with this, he stated, the HSC has negotiated a significantly higher indirect cost recovery rate with the federal government for all new federally funded research grants. A portion of the additional funding will be retained to restore a positive fund balance.

The University of Texas Medical Branch at Galveston Fund Balance Trends

Mr. Kerry Kennedy, Executive Vice Chancellor for Business Affairs and Chief Fiscal Officer for The University of Texas System, and Larry Revill, Chief Financial Officer at The University of Texas Medical Branch at Galveston (UTMB), reported the following information on the declining fund balance at UTMB:

- ▶ UTMB began experiencing reductions in Educational and General (E&G) Fund balance beginning in fiscal year 1997,
- ▶ Reductions in E&G fund balance are offset by increases in designated fund balances
- ▶ E&G fund balance in total is still marginally positive before the effect of reserves for encumbrances and other items,
- ▶ The reduction in E&G fund balances was mostly a result of declining hospital margins due to the Balanced Budget Act (Medicare reimbursement reduction), statewide implementation of Medicaid managed care, rapid growth in unsponsored patients, and other effects of managed care.

In responses to these financial challenges, UTMB implemented several cost reduction and revenue enhancement initiatives:

- ▶ Indigent care capacity was aligned to available resources,
- ▶ Labor force was adjusted to resources (800 full time employee reduction),
- ▶ Indigent Care Fund was established by the legislature (approximately \$20 million per year, closed 184 Hospital beds),
- ▶ Selected Programs were closed (e.g., Home Health and Life Flight),
- ▶ Labor productivity was improved to the best quartile among academic medical centers.

As a result of UTMB's response to these historical financial challenges, UTMB's fund balances in total have been stabilized. However certain problems persist, such as:

- ▶ Margins are still not sufficient to provide necessary resources for adequate equipment and infrastructure replacement and growth,

-
- ▶ E&G fund balance continues to underperform other fund groups as a result of increased academic expenditures in the schools and declining hospital operating margins.

UTMB continues to face possible E&G fund balance reductions due to the following:

- ▶ Nationally and locally there is a severe shortage of nurses and other patient care providers (radiology technicians, pharmacists, etc.) and market salary adjustments will be as high as 25 percent,
- ▶ UTMB is routinely filled to capacity with backlogs of patients waiting in the Emergency Room for admission to UTMB Hospital,
- ▶ Approximately 85 percent of UTMB Hospitals and Clinics revenue streams are from governmental sources (Medicare, Medicaid, General Revenue). Rates may increase by no more than 3 percent, while actual medical Consumer Price Index (CPI) is expected to be 8 percent,
- ▶ Un-sponsored care at present levels will increase at least by the rate of medical CPI, or 8 percent.

Mr. Revill responded to the Committee at the close of his testimony that he knew it was imperative to make changes to get the Educational and General fund in balance and that it could and would be done.

The University of Texas Health Science Center at San Antonio

Mr. Steve Lynch, Executive Vice President for Business Affairs and Chief Financial Officer at The University of Texas Health Science Center at San Antonio (UTHSCSA), reported that although UTHSCSA had an Educational and General Fund deficit of \$4.9 million on August 31, 2001 and had reported an E&G deficit for the last four fiscal years, UTHSCSA had a positive overall unrestricted fund balance of \$73.3 million on August 31, 2001, which included the E&G deficit. He stated that the institution had a strategy to continue to strengthen the fund balance and reach \$82 million by the end of the current biennium. He explained that in Fiscal Years 1998 and 1999, UTHSCSA had an opportunity to grow programs throughout South Texas. There had been three funding options:

- ▶ Limit growth in South Texas to available resources
- ▶ Reduce resources in San Antonio to shift resources to South Texas initiatives, or
- ▶ Do both

Mr. Lynch said that UTHSCSA decided to choose the last option, which created a deficit spending situation. He stated that this was a financial risk because spending was beyond E&G resources, but

decision makers felt the South Texas initiative was important. Mr. Lynch stated that as the programs in South Texas matured, they would generate future E&G funding.

Mr. Lynch also reported that the institution had been able to grow its research enterprise and had generated indirect cost revenue that was applied to the E&G budget to help address the deficit. He also stated that the institution had raised designated student tuition. The enhanced revenue garnered from these initiatives, in addition to cutting budgets, addressed the E&G deficit. Mr. Lynch closed by saying that the efforts to eliminate the deficit would continue into the future at a pace that would keep programs from degrading.

Texas Southern University

Dr. Priscilla Slade, President of Texas South University, along with Mr. Quintin Wiggins, Senior Vice President for Finance of Texas Southern University (TSU), informed the Committee that the existence of the declining fund balance had been recognized and TSU was taking corrective steps in the matter. Dr. Slade and Mr. Wiggins issued the following report to the Committee:

- ▶ In fiscal year 1996, the United States Department of Education placed the university on reimbursement status for mismanagement of its Federal Student Financial Aid Program. Enrollment immediately declined each fiscal year thereafter, until it increased in 1999. This enrollment decline reduced the amount of tuition and fee income, which had a direct effect on the University's deficits and declines in fund balances.
- ▶ In October 1997, the University was assessed a \$15.1 million liability by the United States Department of Education due to mismanagement of its Federal Student Financial Aid Program. The current deficit balance, \$12.2 million, is primarily due to interest and principal payments associated with this liability assessment.
- ▶ The managerial decision to spend the entire surplus of HEAF funds for various construction projects and deferred maintenance is another contributing factor. Beginning in Fiscal Year 1999, the University's administration embarked on an aggressive capital construction and renovation campaign, exhausting an \$8.5 million fund balance surplus to fund construction projects.
- ▶ Finally, the University has recorded \$9.7 million in bad debt reserves (non-cash transactions) related to its accounts receivable balances. The University is currently working aggressively
- ▶ with a third-party collection agency to collect on these delinquent accounts, and during the past 12 months has recovered approximately \$350,000.

The University has taken many steps to alleviate deficits and declines in fund balances, including the following:

- ▶ Problems with the financial aid process, specifically the lengthy time required for the student financial aid reimbursement process, had a negative impact on enrollment, which in turn

caused declines in fund balances. The University reengineered its financial aid delivery process and was subsequently lifted from the reimbursement status imposed by the Department of Education in April 2000. This allowed eligible students to receive their financial aid award immediately upon registration, and enabled the University to bolster recruitment efforts. Enrollment increased, creating a positive impact on fund balances.

- ▶ The University has strengthened recruitment efforts for qualified students by increasing scholarships. The University has leveraged the TEXAS Grant, along with institutional aid, to recruit academically talented students. These students ensure a higher retention rate than normal, which will lead to more funding and higher graduation rates. For Fiscal Year 2002, the University's enrollment increased by 18 percent; and this increase is projected to have a \$1 million positive impact on the University's fund balances.
- ▶ In February 2002, the University's Board of Regents approved a \$4.3 million tuition and fee increase, effective fall 2002. Additionally, enrollment projections for fall 2002 are running at a 50 percent higher pace compared to the same time last year. Finally, the University is negotiating with the Department of Education on abatement of the outstanding debt. The University will recognize surpluses beginning in fiscal year 2002.

The University is optimistic that the combination of the increased enrollment and the tuition and fees increase will ensure fiscal soundness.

Texas A&M University System-Texas Wildlife Damage Management Service

Mr. Tom Kale, Vice Chancellor for Business Services for the Texas A&M University System (TAMUS), stated that the Board of Regents and the System Administration were aware of the financial situation, fund balances, and strategies of the component institutions. Mr. Kale said that, as other institutions had reported, the accrued compensable absence liability was a factor in the fund balances, and for TAMUS, that amount was \$55 million for accrued but unused vacation time. Mr. Kale explained that accrued vacation time was the chief cause for the negative fund balances at the Texas Cooperative Extension Agency and the Texas Wildlife Damage Management Service.

Texas Agriculture Experiment Station

Mr. Mike McCalland, Chief Financial Officer for the Texas Agricultural Experiment Station (TAES), stated the reason for the decline in the agency's E&G fund balance was due to accrued compensable absences, which were now at \$4.5 million. This includes liabilities for the vacation and compensatory leave accrued by employees, which must be set aside for potential use. He stated that TAES's amount had increased by \$600,000 over the past year. With regard to the designated funds, Mr. McCalland stated that there had been a decline due to increased utility costs across the state. He also reported that another factor was the purchase of planned scientific research equipment. Mr. McCalland said that if you looked at the funds overall for the past four years, the decline in fund balances had been less than one-half of one percent and he did not feel there was a problem in that

area. He said the situation was monitored and the system office was aware of the fund balance declines. Mr. McCalland said that a plan had been devised to reverse the decline which included TAES becoming more efficient overall and a reduction in personnel.

Texas Cooperative Extension

Mr. Ronald W. Jackson, Chief Financial Officer for the Texas Cooperative Extension, stated that the deficit at his agency related to the book entry for the employee compensable leave and to the handling of federal reimbursement for contracts with the U.S. Department of Defense and the U.S. Department of Agriculture. Mr. Jackson said that the agency did not have a declining fund balance, however the bottom line was impacted by employee leave, which was a book entry and did not affect cash balances.

Follow-up Reports from Institutions and Agencies

Lamar University-Beaumont

“Since becoming a member of the Texas State University System on September 1, 1995, Lamar University has seen continued growth and stable, but increasing, fund balances in all Current Fund categories which includes Educational and General Funds. One exception is the Educational and General Fund Balance which declined from \$11.6 million at the end of Fiscal Year 2000 to \$3.4 million at the end of Fiscal Year 2001. However, it was for a preplanned purpose.

One of the components of Educational and General Funds is the HEAF (Higher Education Assistance Fund). Lamar University receives approximately \$5.7 million per year of funding from this source.

In order to address much-needed repairs and rehabilitations to the campus buildings and infrastructure, a portion of the HEAF appropriation was accumulated over the past four or five years. Once sufficient funds were retained, the accumulated savings were transferred to Plant Funds during Fiscal Year 2001 for purposes of addressing these needs, which reduced Educational and General Fund Balance. Therefore, it was by design that the funds were accumulated (part of the increase in Educational and General Fund Balance each year through Fiscal year 2000) and subsequently expended on campus renovation projects in Fiscal Year 2001 and beyond.

A proper utilization and planned draw-down makes a corrective “plan of action” unnecessary in this situation, in my [Lamar University-Beaumont] opinion. The University, with the full understanding and involvement of the Board of Regents, reserved the balances which led to the accumulated higher-than-normal fund balance and subsequently committed the funds to projects in accordance with long range campus renovation plans. A \$3 million plus fund balance reserve is a

prudent residual balance to sustain operations for a higher education institution of Lamar University's size."

The University of Houston System Administration

"The UH System Administration fund balances, as planned, have declined over the last three years from a high of approximately \$29 million at the end of FY 1999 to a current balance of approximately \$15.5 million. The UH System Administration has not had a deficit fund balance.

The primary reason for the decline in balances was the expenditure of funds transferred to the UH System from each system campus to install a new PeopleSoft computer system. The UH System Administration provides administrative oversight, and coordinates funding for various system-wide initiatives and projects. The PeopleSoft implementation was an exceptionally large multi-year project that temporarily inflated the fund balances to unusually high amounts in FY 1999. It is important to note that while fund balances have declined over the last three years, the fund balances have returned to the normal levels that existed during the prior five fiscal years. We do not believe that any board action is necessary in this matter."

The University of North Texas Health Science Center at Fort Worth

"The University of North Texas Health Science Center at Fort Worth provides the following plan for elimination of the educational and general fund deficit:

The health science center will eliminate the overall education and general fund balance deficit of (\$1,094,257) reported on the 08/31/02 Annual Financial Report (AFR) as of the end current fiscal year, 08/31/02. This will be accomplished by a reduction of salaries and operations by an amount sufficient to eliminate this deficit.

- ▶ Reduction of spending on Higher Education Assistance Funds (HEAF)
- ▶ Reduction of spending by restricting maintenance and operations spending for the remainder of the fiscal year to only mission critical items
- ▶ Reduction of spending by curtailing encumbrances as of the end of the fiscal year
- ▶ Reduction in spending of building use fee/Board designated tuition to retain local funds
- ▶ Increase revenue by obtaining reimbursement for services previously provided to the medical practice plan"

The University of Texas Medical Branch at Galveston

"Ongoing action plans of The University of Texas Medical Branch at Galveston (UTMB) include the following:

The UTMB Hospitals and Clinics have a \$7 million financial improvement plan in 2003 for the following:

- ▶ control supply cost
- ▶ reduce agency and overtime usage
- ▶ revise nursing productivity monitoring
- ▶ freeze non-clinical vacancies
- ▶ reduce clinical resource consumption

Other financial improvement activities in 2003 at UTMB include:

- ▶ negotiate additional rate increases on managed care payors (Medical CPI, Blue Cross, Humana)
- ▶ implement managed care claims adjudication process
- ▶ implement tuition increases (fall 2003)

As a result of these action plans, UTMB expects E&G fund balances to stabilize at approximately \$15 million in coming years.”

The University of Texas Health Science Center at San Antonio

“A deficit reduction plan had been enacted in FY 2002. As a result, UTHSCSA’s E&G deficit has been reduced by 47 percent over the past two years and is now \$4.9 million. Current financial strategy is to continue to further reduce the E&G deficit to approximately \$4 million at 8-31-02 and to less than \$3.5 million at the end of the current biennium with the intention of eliminating the deficit over the next two biennia.

Three specific strategies have been used to reduce our E&G deficit:

- ▶ UTHSCSA’s research enterprise has grown 21 percent over the past two years. The result has been increased Indirect Cost revenues, which are being applied to our E&G budget.
- ▶ Over the past two years, UTHSCSA has increased our “Designated Tuition” charges to \$40 per semester credit hour, which is a level more consistent with fees being charged students at our peer academic health centers in Texas. This incremental student fees revenue is also applied to our E&G budget.
- ▶ UTHSCSA has enacted budget expense reductions in each of the past two fiscal years.

The combination of these strategies has enabled UTHSCSA to begin to reduce our E&G deficit. Our plans are to continue managing this deficit reduction strategy at a pace that continues to positively address our deficit without compromising either the scope or quality of our educational and other programs in San Antonio and throughout South Texas.”

Texas Southern University

Texas Southern University provided the Committee their original working plan furnished at the May 7, 2002 hearing. Please see text on page 40 of this report.

Texas Agriculture Experiment Station

“The Texas Agricultural Experiment Station (TAES) is aware of the declines which have occurred over the past several years in fund balances and has been monitoring the situations. As mentioned in our testimony before the Committee last week, some of the reduction has resulted from increases in accrued compensable leave balances, which are year-end accruals. Additionally, some of the draw-down was due to increased utility prices for the last fiscal year. These prices have now moderated.

However, in order to address the remainder of the decline in fund balances, TAES will implement a new budget strategy. This strategy will involve the redirection of appropriated funds from the departments to the central office. A planned reduction in the size of the faculty and staff currently paid on appropriated funds will also help reduce the agency size to a sustainable level. Specific action such as prioritization of vacant positions, efficiency measures for expenditure reductions such as travel, teleconferencing and use of computer networking have already been put in place throughout the agency.

We believe the decline in fund balances is being appropriately managed and no obligations are in jeopardy of not being met.”

Texas Cooperative Extension & Texas Wildlife Damage Management Service

“The negative fund balances identified by the State Auditor’s Office for the Texas Cooperative Extension and Texas Wildlife Damage Management Service are the result of accounting policy directives governing reporting of Annual Compensable Leave Liability. These policy directives are contained within the *Miller GAAP Guide for State and Local Governments* used by the Texas Comptroller of Public Accounts for all state agencies. The directives require each state agency to reflect in its Annual Financial Report this accrued leave as a liability for the agency.

The Texas A&M System Board of Regents is aware of these declining and negative fund balances identified by the State Auditor’s Office for the three agencies your committee reviewed.”

RECOMMENDATIONS

1. Require institutions to provide the State Auditor’s Office, the Texas Higher Education Coordinating Board, the Senate Finance Committee, the House Appropriations Committee, the Senate Education Committee, and the House Committee on Higher Education quarterly reports detailing the status of their fund balances.
2. Require institutions to provide clear justifications and means of addressing negative or declining fund balances.

INTERIM CHARGE FIVE BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with:

Evaluate the need and possible benefits of establishing a state-funded and state-operated chiropractic program in a state university system, including the possible transfer of a private chiropractic institution to a state university system.

On May 7, 2002, the Committee took up this charge hearing testimony from:

- ▶ **The Honorable Bob Glaze**, Texas State Representative, District 5
- ▶ **The Honorable Suzanna Gratia Hupp**, Texas State Representative, District 54
- ▶ **Dr. Richard G. Brassard**, President-Elect, Texas Chiropractic College
- ▶ **Mr. Bill Clayton**, Representative of Parker College of Chiropractic
- ▶ **Dr. Chris G. Dalrymple**, President, Texas Chiropractic Association
- ▶ **Dr. Shelby Elliott**, President, Texas Chiropractic College
- ▶ **Dr. Lew Huff**, Associate Professor and Director of Clinical Programs for Moody Health Center, Texas Chiropractic College
- ▶ **Ms. Sandra Mooney**, Chief Fiscal Officer, Texas Chiropractic College
- ▶ **Dr. Ken Boutwell**, Senior Executive Partner, MGT of America, Inc.
- ▶ **Ms. Teri Flack**, Deputy Commissioner, Texas Higher Education Coordinating Board
- ▶ **Dr. Cynthia Vaughn**, Chair, Texas Board of Chiropractic Examiners

Texas and a State-Funded and State-Operated Chiropractic Program

There are currently 17 chiropractic schools in the United States, none of which are operated by their respective state. All but one is accredited by the Council on Chiropractic Education. Two schools, both of which are accredited, are in Texas--Texas Chiropractic College in Pasadena and Parker College of Chiropractic in Dallas.¹³

Texas Chiropractic College

Texas Chiropractic College (TCC) is a private, nonprofit, professional institution of higher education. Occupying an 18-acre campus, the physical plant houses classrooms, laboratories and library facilities, faculty and administrative offices, educational and student support services, and a clinic for internship training and public use.¹⁴

As the third oldest accredited chiropractic college in the United States, TCC claims to present a comprehensive course of professional instruction in the basic and clinical sciences and in chiropractic clinical practice, leading to the degree of Doctor of Chiropractic. TCC is led by a 30-

member Board of Regents. This board is composed of doctors of chiropractic, other health care professionals and lay members representing major U.S. businesses.¹⁵

Previous Legislation

In 1997, the 75th Legislature passed House Bill 621 relating to the establishment of TCC as a public institution of higher education.¹⁶ This allowed TCC to become a public institution of higher education with approval of THECB, the governing board of the university system selected by THECB, and the board of trustees of TCC. The time deadline for completion was designated as August 31, 1998.¹⁷

If THECB determined by that date that there was “a compelling public need or compelling state interest in establishing TCC, currently a Texas nonprofit corporation, as an institution of higher education, the Board shall determine the university system governing board that is best suited to govern and provide policy direction to the TCC.” If the above criteria were met, TCC would become a public institution on September 1, 1998.¹⁸

The report of the Special Committee To Study Proposed Placement of Texas Chiropractic College In a Public University System conducted by THECB dated October 6, 1997, found the following:

- ▶ The establishment of TCC as a public institution is not necessary to provide the people of Texas with the benefits of good chiropractic education and care.
- ▶ While TCC appears to be educating its students well, and while chiropractic health care is a valuable part of the state’s health care resources, the Special Committee concludes that a compelling public need or compelling state interest does not exist to establish TCC as a public institution of higher education.

In 1999, the 76th Legislature passed Senate Bill 1651 relating to the establishment of TCC as a public institution of higher education. This changed the previous legislation of 1997 by taking out the time deadline and shifting the responsibility of finding an institution willing to affiliate with TCC from THECB and on to TCC.¹⁹ If there proves to be sufficient interest between TCC and an institution of higher education, and if THECB reviews and approves the transition, TCC would be established as a public institution.

TESTIMONY HIGHLIGHTS

At the onset of the May 7, 2002 hearing, witnesses were informed by the Committee that the state may face a budget deficit in the next legislative session. Given this, funding should be an issue of consideration when laying the groundwork for a state-funded chiropractic college.

Texas Higher Education Coordinating Board

Ms. Teri Flack, Deputy Commissioner for the Texas Higher Education Coordinating Board, provided the Committee with background information on the proposal to have the state assume responsibility for one of the two chiropractic colleges in the state. She noted that this effort had been reviewed several times over the past five years. She also reported that in 1997, in response to legislation filed, THECB had advised against the transfer of a private chiropractic college into the state-supported system of higher education. She noted the reasons for THECB's recommendations were concerns about funding and lack of a compelling state interest or public need for a publically-supported chiropractic college. "I don't think the issue so much is that we don't believe that chiropractic is a valuable profession to the state," explained Ms. Flack, "it is whether or not the state has resources to put into another type of professional school at our state-funded universities or state funded health science centers, wherever it ends up being."

Ms. Flack also answered questions in relation to the proposed feasibility of a chiropractic college at Florida State University and reported that Florida was moving toward that in the fall of 2003. She also noted that the main difference between Texas and Florida is that Florida does not have a chiropractic school.

In closing, Ms. Flack added that THECB had been directed to evaluate any proposal that came forward and the Board had not heard from any institution expressing interest. Committee members questioned whether there was enough information to deem that there was no interest in establishing a state-funded and operated program. Ms. Flack stated that THECB would conduct a survey of interest in establishing a public chiropractic college.

Supporting a Public Chiropractic College

Several witnesses from the chiropractic community emphasized their overwhelming support for the state to assume ownership of TCC. Texas State Representatives Dr. Suzanna Hupp and Dr. Bob Glaze, both chiropractors, expressed bi-partisan support for the move. Representative Hupp explained that Texas has a compelling need to establish a public chiropractic college based on the needs of the public. She stated that back pain is the number two cause of loss of work, behind headaches. Additionally, she stated, the huge budget deficit Texas is facing is partly caused by health care systems placing caps on physician reimbursements amounts. This limits a chiropractor's ability to maximize his or her earning potential. She used herself as an example when noting that, because chiropractic students at TCC have huge student loan debts and need to make money, most cannot accept Medicaid or Medicare as a form of payment. She further stated that chiropractic care is one of the least expensive ways to treat back pain. It therefore seems fiscally unwise that the people of Texas

are not choosing the less expensive option of chiropractic treatment when caring for themselves.

Representative Hupp also cited the desire to raise the reputation of chiropractors and of TCC as a whole. By affiliating itself with the State of Texas, TCC would accomplish this and more research dollars would follow. Representative Glaze made similar comments and also stated that, “conversion of TCC to a public institution of higher education is not intended to increase the number of practitioners, it is intended to meet the requirements of modern technology and accepted standards of evaluations of practice guidelines and of performance measures.”

Parker College of Chiropractic

Former Speaker of the Texas House of Representatives, Bill Clayton, testified before the Committee as a representative of Parker College of Chiropractic. He stated, “the recognition of chiropractic by the public and the medical community has grown tremendously over the past few years. This growth has occurred for several fundamental reasons:

- ▶ First, many patients have turned to chiropractic for the drug-free, non-invasive relief that it provides safely and effectively.
- ▶ Second, chiropractic treatment can often help an injured worker return to work sooner and reduce the risk of recurring injuries in the future.
- ▶ Third, chiropractic care usually reduces the cost of treating an injury and provides cost effective wellness care.^x
- ▶ Fourth, medical doctors and orthopedic surgeons are increasingly willing to work jointly with chiropractors to provide the most effective, and most conservative treatment for their patients.”

Mr. Clayton also answered questions from the Committee relating to course-work transfer issues and was positive about the outcome if the system change were to occur. He explained that lower-division courses would easily transfer and a process would be in place to assure that upper-division course work was transferrable. Mr. Clayton also stated that the increased recognition of and demand for chiropractic treatment by the citizens of Texas verifies the need to investigate the possibility of at least one chiropractic educational institution in a state university system. He also noted that the recognition of chiropractic practice would further advance cooperative efforts within the medical community. “For these reasons,” denoted Mr. Clayton, “Parker College supports the efforts of TCC to align with a state supported institution. Parker College desires to remain a private institution; however, we would hope that the current funding level for chiropractic education would be modified to protect Parker College from any adverse effects if TCC becomes a state supported

^x See Appendix IV-a

institution.”

Texas Chiropractic College

Faculty and staff of the Texas Chiropractic College (TCC) testified before the Committee to offer their support and answer questions relating to establishing TCC as a public institution of higher education:

Dr. Shelby Elliot, President of Texas Chiropractic College, explained that he was here to seek the committee’s endorsement of TCC as part of the state system. He stated that TCC needs affiliation with the state to attract research dollars and more foundation grants, such as the Moody Foundation.

Dr. Lew Huff, a chiropractor and associate professor at TCC answered questions relating to new research projects that TCC is working on, including plans to treat pilots at the nearby Air Force base and a new complementary alternative medicine program.

Dr. Richard Brassard, the new President-elect of TCC explained that, like osteopathy and optometry, chiropractic study needs to become part of the Texas public higher education system.

Ms. Sandra Mooney, Chief Fiscal Officer of TCC, answered questions concerning tuition changes that would take place if the state assumed ownership of TCC and acknowledged that the school would possibly lose tuition revenue. However, she concluded by saying that, whatever system that TCC would be brought into, regardless of the loss of control of administration and funding, the benefits outweigh the losses. Accordingly, she continued, TCC just wants the opportunity to participate in the process of the state-system and would not be asking for special consideration.

Additional Testimony

Dr. Chris G. Dalrymple, President of the Texas Chiropractic Association noted, “inclusion of the TCC in a state university system will help to keep chiropractic education in Texas at its most current.”

Dr. Cynthia Vaughn, Chair of the Texas Board of Chiropractic Examiners, stated that Texas is third nationwide in the number of chiropractic licenses issued, ahead of Florida, and only behind New York and California, with California being the only other state to have two chiropractic schools. She said that Texas is growing and that having TCC in the public system of higher education would help satisfy the need for chiropractors in the state.

Dr. Ken Boutwell, Chief Executive Officer of MGT of America, Inc., a national public policy research organization, testified before the Committee regarding chiropractic education. His company had been employed to conduct an implementation plan for a school of chiropractic education at Florida State University. Dr. Boutwell shared the results with the Committee. He noted that chiropractic care is the third largest industry, behind medicine and dentistry, and that very little

research has been done on its effects. Of the studies that have been done, many show that the effects of chiropractic care are equal to or better than surgery. Additionally, chiropractic care has clearly proven to be safer than surgery. He went on to say that the United States Congress has raised research money for chiropractors and that when all costs are considered, chiropractic care is less than allopathic care.

Despite these findings, no public chiropractic school exists in the United States and chiropractic care is the only care that is not in mainstream public schools. Dr. Boutwell went on to say that, of the 16 schools that provide instruction nationally, most are very expensive, the quality varies, and the research funds given to these private schools are trivial when compared to other research dollars. “Our conclusion was that the public institution which establishes the nations first chiropractic education and research program in a multi-discipline environment will immediately be in a national leadership position with the ability to attract large sums of research dollars.” The conclusion from the study recommended that Florida establish a state chiropractic college at Florida State University.

Upon the conclusion of Dr. Boutwell’s testimony, Vice-Chair Brown remarked, “what TCC is asking is to become part of the state system of Texas which gives them the prestige and credibility that they are looking for and, at the same time, is an additional revenue source and it doesn’t cost us a penny to take them on.” Vice Chair Brown also stated when we the Committee make a judgement on this, he hopes a precedent can be set as far as the nation and as far as increasing what we offer for higher education in Texas.

The hearing was closed by Chair Rangel, who acknowledged that, with such a lack of higher education funding in Texas, having a program that would alleviate some burden would be wonderful. However, she noted that there is a lot of responsibility in being involved with the state of Texas of which TCC should be aware. She asserted that the committee would certainly consider the idea carefully.

Follow up

In accordance with the Committee’s request during the interim hearing on Charge Five, the Committee received information from the Legislative Budget Board on the cost of making TCC a public institution.^{XI} The Committee also received a survey of interest in establishing a public chiropractic college conducted by THECB.^{XII}

^{XI}See Appendix IV-b

^{XII}See Appendix IV-c

Legislative Budget Board

“While the analysis does not provide a specific estimate of the cost, the research we have done indicated that TCC may not have an operating margin that could absorb the potential cost increases related to becoming a public institution. The amount of state revenue necessary would depend on the specifics of the legislation.”

Texas Higher Education Coordinating Board

“On July 5, 2002, the Commissioner of Higher Education issued a memorandum to the presidents and chancellors at the 35 public universities and 8 health-related institutions. The memorandum requested their responses to be submitted to the Coordinating Board no later than July 26, 2002.

As of July 30, 2002, the Coordinating Board received responses from 11 institutions and 1 university system, which responded on behalf of its four component institutions.

All institutions that responded indicated that they did not wish to establish a partnership with TCC, now or in the future. Some of the reasons given were:

- ▶ The institution does not have any programs that are health-related (The University of Texas at Dallas)
- ▶ There is not a good fit at this time (The University of Houston System)
- ▶ Due to our ongoing projects, it would not be in our best interest to invest our energies and resources in this relationship (The University of Texas at Arlington)
- ▶ Given our legislative and Board of Regents mandates to develop health professional education and biomedical research programs for the South Texas region, it would be inappropriate for this institution to take on an additional responsibility (The University of Texas Health Science Center at San Antonio)
- ▶ This is not the time to assume the expanded responsibilities and increased financial demands that a chiropractic college would surely require (Texas Woman’s University)

However, Texas Woman’s University (TWU) expressed an interest in exploring a working relationship with TCC given TWU’s strong programs in nursing, physical therapy, occupational therapy, health care administration and the sciences. In addition, The University of Texas at San Antonio (UTSA) expressed an interest in working with TCC to identify courses that could transfer from UTSA to TCC and to advise UTSA students who are interested in attending TCC.

Also, in a telephone call to the Coordinating Board, The University of Texas Medical Branch at Galveston orally expressed an interest in a possible future working relationship with TCC.”

In addition to the information provided by the THECB survey, the House Committee on Higher Education received an expression of interest from Prairie View A&M University in aligning

their curriculum with that of TCC so that students who wish to gain admission to the program may be appropriately prepared academically.

RECOMMENDATIONS

1. Upon a university or college indicating their desire to incorporate a chiropractic program within their institution, immediately enable, via legislation, the creation of a state-funded and state-operated chiropractic program.

INTERIM CHARGE SIX BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with:

Review the effects on higher education attendance rates, degree availability, graduation rates and facilities ten years after the beginning of the South Texas/Border Initiative.

On July 31, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Dr. Francisco G. Cigarroa**, President, The University of Texas Health Science Center San Antonio
- ▶ **Ms. Teri Flack**, Deputy Commissioner, Texas Higher Education Coordinating Board
- ▶ **Dr. Robert R. Furgason**, President, Texas A&M University Corpus Christi
- ▶ **Dr. Ray M. Keck**, President, Texas A&M International University
- ▶ **Dr. Vic R. Morgan**, President, Sul Ross State University
- ▶ **Dr. Miguel A. Nevarez**, President, The University of Texas Pan American
- ▶ **Dr. Ricardo Romo**, President, The University of Texas San Antonio
- ▶ **Dr. Antonio Zavaleta**, Vice President of External Affairs, The University of Texas Brownsville

The South Texas Border Initiative

It is generally agreed that the basic catalyst for the South Texas Border Initiative was a 1987 lawsuit (LULAC v. Richards) filed by the Mexican American Legal Defense and Education Fund (MALDEF). The suit claimed that the State had discriminated against Hispanic students by not adequately funding higher education institutions along the border. MALDEF argued that this low funding denied Hispanics the same access and opportunity in higher education that other students experienced throughout the state. A lower court ruled in favor of MALDEF, though the Texas Supreme Court would later overturn the case. Nonetheless, the suit caught the attention of the public and state lawmakers and in 1989, the 71st Legislature implemented the South Texas Border Initiative. Legislators developed a \$460 million package for the nine four-year colleges and universities located throughout the region.²⁰

These nine institutions were the following: Texas A&M International University (Laredo), Texas A&M University Corpus Christi, Texas A&M University-Kingsville, The University of Texas at Brownsville, The University of Texas at El Paso, The University of Texas-Pan American (Edinburg), The University of Texas at San Antonio, Sul Ross State University (including Sul Ross State University Rio Grande College), and The University of Texas Health Science Center at San

Antonio. During some biennia, additional funding was also allotted to Texas Tech University (Lubbock), the University of Houston, and Texas A&M University (College Station).²¹

Funding took place in two forms. One was through “special item funding,” that is, a direct appropriation from the Legislature which is above that which is given through a regular, formula-based appropriation. Overall, from FY 1990 to FY 2003, the South Texas Border Initiative institutions have received more than \$880 million in special item funding. In addition to special item funding, the institutions were allowed to issue “tuition revenue bonds” - bonds backed by institutional revenue, but issued with the assumption that the Legislature will provide general revenue appropriations in order to service the debt.

The cumulative result of the South Texas Border Initiative has been an overwhelming success for the institutions toward which the Initiative was geared.²² With regard to new programs being offered, the nine border institutions collectively have a total of 675 bachelors, masters, and doctoral degree programs as of August 31, 2001. These figures represent the addition of 197 new programs since 1990, and the closure of 92 programs, for a net increase of 105 new programs. This is particularly conspicuous when compared to the rest of the state, which has seen a decrease of 134 programs among its remaining twenty-six universities²³.

There have also been impressive increases in enrollment at the border institutions. South Texas Border Initiative universities have collectively witnessed an enrollment increase of 10.6 percent during the last five years. Once again, this outpaces the remaining state institutions, which have experienced a total enrollment increase of 8.3 percent. A particularly telling case of the Initiative’s effect on enrollment is the history of South Texas Community College (STCC) in McAllen. STCC was created by the 73rd Legislature (1993) in order to serve the residents of Hidalgo and Starr counties. From 1997-2001, STCC experienced a meteoric enrollment increase of 81.5 percent, which will no doubt benefit the community in the long run.²⁴

In addition to enrollment increases and new programs, the statistical evidence regarding student course load, semester credit hours, and degrees awarded all bode well for assessing the success of the South Texas Border Initiative. The general pattern is that border students have access to more degree programs, are going to college more, are taking more full-time schedules, which will allow them to graduate earlier, and are earning more degrees than before the inception of the South Texas Border Initiative.²⁵

TESTIMONY HIGHLIGHTS

Texas Higher Education Coordinating Board

Ms. Teri Flack, Deputy Commissioner for the Texas Higher Education Coordinating Board, gave testimony regarding the background and impact of the South Texas Border Initiative. She noted that many of the border institutions had become part of The University of Texas and Texas A&M University Systems in and around the time of the Initiative's inception (for example, Laredo State University became Texas A&M International University). In addition, Texas A&M University-Corpus Christi and Texas A&M International University became four-year institutions in 1994 and 1995, respectively. She stated that the nine border institutions had seen cumulative improvements in enrollment, programs offered, and additional facilities since the implementation of the South Texas Border Initiative. As for the future, Ms. Flack stated that the THECB felt that classes should be increased in existing schools that have the capacity to do so and that a new medical school or schools should be built in El Paso or the Rio Grande Valley, depending on a determination made by the Legislature.

Sul Ross State University

Dr. R. Vic Morgan, President of Sul Ross State University, gave favorable testimony regarding the effects of the South Texas Border Initiative relating to his institution. He noted that, since the Initiative's inception, Sul Ross had received roughly \$44 million and that had made a major difference at its main campus in Alpine and at its Rio Grande College. Chair Rangel noted that the House Appropriations Committee Chairman Rob Junell and House Speaker Pete Laney had been instrumental in not only doling out money to the border institutions, but also in allowing the Higher Education Committee to visit the campuses of schools such as Sul Ross. She asked Dr. Morgan whether his institution needed more funding from the Initiative. He replied affirmatively, citing that institutional enhancement funds, such as those from the Initiative, were critical because formula funding did not always meet the needs of small regional institutions such as his. In a similar vein, Chair Rangel voiced her concern that the Initiative was based on special item funding, which may not always be there, though she felt the South Texas Border Initiative funds were firm and should last a while.

Texas A&M University System Components

Dr. Robert R. Furgason, President of Texas A&M University-Corpus Christi, and Dr. Ray Keck, President of Texas A&M International University, gave testimony on behalf of those schools of the Texas A&M University System that had received funding from the Initiative (Dr. Keith McFarland, President of Texas A&M University-Commerce, was also present). Dr. Furgason said that one of the primary affects of the Initiative at his university was an increase in enrollment, particularly in science and technology majors, as well as an increase in degrees awarded. Additionally, he felt that the university's increase in research funding, including the recent acquisition

of a \$46 million endowment, had resulted directly from the Initiative. As Dr. Morgan had previously indicated, Dr. Furgason commented on formula funding, stating that it hurt schools that offered several lower-division courses and that this ran counter to the higher education objectives of the state.

Chair Rangel stated that one of the benefits of the Initiative was that the universities at Corpus Christi and Laredo became four-year institutions. She noted that at the Laredo campus, there had been some concern voiced about the switch to a four-year school and asked Dr. Keck whether the change had been to the advantage of the students. He responded that it “absolutely” had and that his entire university was basically created by the South Texas Border Initiative; he specifically noted the increase in new buildings and new programs, which were a direct result of the Initiative’s funding. In response to questioning from Representative Goolsby, Dr. Keck said that his campus had plenty of room for additional students, without the need for new buildings; currently, there was room for 8,000 to 10,000 students, while actual enrollment was only roughly 3,300 students. Dr. Furgason stated that he believed 20,000 students could be accommodated on his current campus, though there would be a need for additional facilities.

University of Texas System Components

Dr. Francisco Cigarroa, President of the University of Texas Health Science Center at San Antonio, stated that the Initiative made possible the enrollment of 236 students and 195 graduates at his institution, along with the expansion of educational space. In addition, he felt the Initiative provided the money to begin the Regional Academic Health Center (Harlingen) and its extension center in Laredo.

Dr. Cigarroa then discussed higher education trends for the entire state with regard to race and ethnicity. He showed that, of the roughly 80,000 degrees awarded by the state in 2002, 16.4 percent of them went to Hispanics and 7 percent went to African Americans. The chart he displayed cited that, if these trends did not change, the state was “on a collision course.” Along these lines, Chair Rangel commented that the state needed to continue the funding of the Initiative in order to maintain the progress it had already achieved.

Dr. Miguel Nevarez, President of the University of Texas-Pan American (UTPA), noted that, in addition to the funding his institution received before the Initiative, his university had gained much (such as name recognition and cooperative programs) from joining The University of Texas System. Despite all the progress that the Initiative brought to his school, Dr. Nevarez stated that there was still much to be done to bring educational parity to South Texas. If Texas was going to meet the goals of the Coordinating Board’s *Closing the Gaps* plan, UTPA would need to enroll 20,000 students by 2015. Dr. Nevarez felt that they currently did not have the space to do this. Chair Rangel said that the Legislature must be receptive to such needs and continue funding the Initiative.

Dr. Ricardo Romo, President of The University of Texas at San Antonio (UTSA), noted that, prior to 1970, San Antonio was the largest major city in the United States without a Ph.D. program. He drew from his experiences in the California University System and stated that South Texas should have major universities like those throughout California. With regard to the Initiative, he stated that his university's downtown campus was probably its most obvious impact. He further noted that UTSA was the highest rated school in America in terms of Hispanics earning life science degrees. He felt this was significant because many of these students go on to become doctors and pharmacists. Despite all that the South Texas Border Initiative had done for his university, Dr. Romo stated that in two years UTSA would have the largest space deficit in the state. It is one of the fastest growing institutions statewide and, according to Dr. Romo, also needs more room for student housing. In response to questioning from Representative Morrison, Dr. Romo stated that his school was the first alternative for students who did not get accepted into UT Austin, which is no longer offering provisional courses. While on this subject, Dr. Romo stated that Texas needs more strong institutions, like those of California, and more than just two flagships.

Dr. Antonio N. Zavaleta, Vice President of External Affairs at The University of Texas Brownsville, discussed his school's symbiotic partnership with Texas Southmost College and how this partnership would not have been possible without funding from the Initiative. He stated that his institution had also witnessed a 105 percent increase in bachelor degrees awarded. He said this would have a long term impact outside of its campus because 70 percent of its students were now female and many of them had dependent children. With regard to meeting the goals of *Closing the Gaps*, however, Dr. Zavaleta noted that more building capacity would be needed. While discussing P-16 issues, he stated that the majority of students on his campus required developmental classes, but these classes had been very successful. Moreover, he felt the Brownsville Independent School District's recent decision to require the Recommended High School Program as the default curriculum will benefit the students' secondary education and allow them to take fewer remedial classes when they enroll at UT Brownsville. Near the close of Dr. Zavaleta's remarks, Chair Rangel stated that it was clear that the South Texas Border Initiative had been a success and that its funding should continue and even increase.

RECOMMENDATIONS

1. Expand master's, doctoral, and professional degree programs along the South Texas border region.

INTERIM CHARGE SEVEN
BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with the following:

Evaluate the implementation of SB 149, 75th Legislature, relating to post-tenure review for faculty, and consider faculty workload policies in determining the law's effectiveness.

On June 25, 2002, the Committee took up this charge hearing testimony from:

- ▶ **Dr. William E. Brigman**, Current Vice President, American Association of University Professors
- ▶ **Dr. John Burns**, Provost and Chief Academic Officer, Texas Tech University System
- ▶ **Dr. Mike Kerker**, Assistant Vice Chancellor for Academic Affairs, University of Texas System
- ▶ **Dr. Dennis Longmire**, Professor and Director for the Survey Research Program, Sam Houston State University
- ▶ **Mr. Ted Melina Raab**, Senior Legislative Assistant, Texas Federation of Teachers
- ▶ **Dr. Norval F. Pohl**, President, University of North Texas
- ▶ **Dr. Debra P. Price**, Professor and Director of the Survey Research Program, Sam Houston State University
- ▶ **Dr. Leo Sayavedra**, Vice Chancellor for Academic and Student Affairs, Texas A&M University System
- ▶ **Dr. Edward P. Sheridan**, Chancellor of Academic Affairs, University of Houston System
- ▶ **Dr. Michael J. Siciliano**, Professor of Molecular Genetics, University of Texas M.D. Anderson Cancer Center
- ▶ **Mr. Lamar Urbanovsky**, Chancellor, Texas State University System
- ▶ **Dr. Linda Vaden-Goad**, Immediate Past President, Texas Conference: American Association of University Professors, Member, Committee on Governmental Relations
- ▶ **Dr. Charles Zucker**, Executive Director, Texas Faculty Association

SB 149 by Bivins, 75th Legislature

The basic impetus for SB 149 was a desire by state policymakers to have greater accountability in higher education, specifically with regard to tenured faculty at public institutions.²⁶ Nearly all institutions had some process of review for tenured faculty already in place well before SB 149. This typically took the form of annual reviews, such as those at The University of Texas at Austin (UT Austin), where a favorable review would often lead to a slight pay increase, but an

unfavorable review would very seldom lead to disciplinary action and almost never to job termination. In fact, during the roughly 25 years leading up to SB 149, only two tenured faculty had been fired at UT Austin. Many lawmakers, and even some faculty, felt the annual reviews were not enough to eliminate the so called “deadwood professors,” those one or two tenured professors in every department who were not as committed and diligent as their colleagues and did not feel compelled to change, due to the job security offered by tenure.²⁷

The primary mandate of SB 149 was that every public institution in Texas must periodically engage in some form of post-tenure review of all of its faculty members, mainly focusing on a professor’s performance in teaching, research, and community service. The primary intent of the bill was professional development of faculty, that is, encouraging the remediation of “deadwood professors” rather than doling out excessive punishments or even firings.²⁸ The final piece of legislation contained aspects that most scholars who deal with post-tenure review issues would find favorable to faculty: a focus on professional development, high faculty input into the post-tenure review process, due process for negatively reviewed professors, and an emphasis on the areas of teaching, research, and community service.²⁹ At the same time, lawmakers were pleased with the greater accountability and efficiency the bill would impart upon academia.

Impact of SB 149

Although more time is needed to review its full impact, SB 149 has received mostly favorable reviews from university faculty and administrators. From a legislative perspective, the bill seems to have accomplished the objectives originally envisioned by state lawmakers.³⁰

From 1998 to 2002, with funding from the American Association of Higher Education, a research team from Sam Houston State University conducted interviews and mailed out questionnaires to faculty to gather statistics regarding their views on the new system of post-tenure review in Texas. The study interviewed faculty from numerous Texas State University System institutions, as well as various components of The University of Texas, Texas A&M University, Texas Tech University, and University of Houston Systems. Some of the major findings from the report are the following:

- Among the responses of those faculty members who had participated in the post-tenure review process, 72.7 percent of those who had been reviewed reported that the process was “fair,” but 69.5 percent also said the process was of “little value.”
- The great majority of respondents felt it was “too soon to know” what the potential benefits or drawbacks were to the new post-tenure review system. Where the respondents did have opinions, their opinions were often that the potential problems might outweigh the potential benefits.
- The most common complaint of those professors who had conducted post-tenure reviews was that it often lead to excessive paperwork and took up much of their time.

-
- Tenure continues to be taken very seriously by faculty throughout Texas. The vast majority (83.7 percent) of the survey's respondents viewed tenure as the foundation of academic freedom.³¹

The Issue of Tenure

While the objective of the June 25, 2002 meeting of the House Committee on Higher Education was to focus on post-tenure review, a good deal of discussion was also devoted to understanding the concept of tenure. The idea of tenure in the United States was most vehemently propounded in the early part of the 20th century, manifesting in the American Association of University Professor's (AAUP) "1940 Statement of Principles on Academic Freedom and Tenure." This statement, and its subsequent revisions, has been the archetype of most institutional policies on tenure and is heavily reflected in the Texas Higher Education Coordinating Board's policy on tenure and academic freedom. This statement essentially describes the purpose of tenure as benefitting students and, therefore, society as a whole. It defines the purpose of tenure as ensuring: "(1) freedom of teaching and research . . . and (2) a sufficient degree of economic security to make the [teaching] profession attractive to men and women of ability." Moreover, tenure is denoted as "indispensable to the success of an institution in fulfilling its obligations to its students and to society." Academic freedom is defined as having (1) absolute freedom in research and publishing, (2) freedom to discuss in the classroom whatever subject the professor feels is necessary, and (3) public speech which is free from "institutional censorship or discipline."³²

Despite the large degree of academic freedom that the AAUP feels professors should have, its "1940 Statement" does not argue that professors should say or do whatever they please. While they are allowed to teach "controversial matter" in the classroom, the material must be relevant to the subject they are teaching and professors must be careful not to impose their views on their students. While they may speak freely in public, "they should at all times be accurate, should exercise appropriate restraint, should show respect for the opinions of others, and should make every effort to indicate that they were not speaking for the institution." Cases such as the sexual harassment of a student, or other such cases of "moral turpitude," can lead to revocation of tenure and even termination. These views on the restriction of tenure were echoed by several faculty representatives who testified before the Committee.³³

The AAUP Statement, to a certain extent, also distinguishes between "academic freedom" and freedom of speech. Freedom of speech may protect a professor's right to say whatever he or she wants in public or to publish controversial material. However, it does not guarantee that a professor can pursue a risky research subject without the fear that, if the research proves fruitless, he or she may have nothing to show for it and thus be poorly evaluated by their institution. The latter falls under the

auspices of academic freedom.³⁴ Tenure also protects a professor's freedom of speech in a manner that does not force them to go constantly to court if they feel their free speech has been violated.³⁵

There are two analogies which may be helpful for understanding the concept of tenure. From a business perspective, one can understand the societal benefits of tenure by comparing it to bankruptcy policies in the United States. The British magazine *The Economist* has argued that it is America's unique bankruptcy system which has allowed American businesses to thrive relative to their European counterparts. When a business goes bankrupt in the United States, the chapter 11 law stipulates that, in a very orderly process, the company's creditors can decide to reorganize the company and still keep it running. Outsiders may see this as taking shareholders' money to cover for bad company management, but one of the reasons for the bankruptcy law is the encouragement of risk taking in the business world. The idea is that such risk taking will eventually lead to new discoveries and advances, leading to more jobs, and thus economic benefit to the country as a whole. In Europe, by contrast, a company must cease all trading if it goes bankrupt and some company directors can be held personally liable for the company's failing. According to *The Economist*, this "steeply raises the penalties for failure - and so deters entrepreneurs for taking risks."³⁶ The concept of tenure also ensures this sort of risk taking in research, which leads to new discoveries and more fulfilling class room discussions, thus producing better students. It also benefits society by, as one professor who testified before the Committee stated, putting "people on the moon and getting chemotherapy to work."³⁷

The analogy of a law firm has also been given to explain why tenure produces quality professors. Undergoing the tenure-track process is similar to being considered for partnership at a law firm. Both involve harrowing years of evaluation to make sure that a particular individual will be able to contribute to their firm or academic department. Not everyone makes partner, nor do they get tenure. The vast majority of those that do get there due to their inner-drive and interest in their subject and this is likely to stick with them throughout their career. For the select few professors who might lose interest as their career goes by, post-tenure review provides an effective means for rejuvenating their careers or encouraging them to move on to a different profession.³⁸

Various representatives from each university system gave testimony regarding faculty who had undergone post-tenure review. All reported a very small amount of faculty who had been identified with problems or had simply left the institution due to post-tenure review. For example, The UT System reported that, through FY 2002, they had reviewed roughly 2,000 of their system-wide faculty members (about 20 percent of the total number of system wide faculty). Of the roughly 2,000 who had undergone post-tenure review, fewer than 50 (about 2.5 percent) have received "less than satisfactory" reviews (of that 2.5 percent, about half successfully completed remediation, roughly

one fourth were still undergoing remediation, and the other quarter had decided to resign or retire).³⁹

Such a small percentage of tenured faculty receiving less than positive reviews appears to indicate that the tenure-track process continues to do an excellent job of weeding out inept professors. However, the fact that nearly 50 professors from 1996-2002 received a less than favorable review seems to show that the old system of annual reviews, which only punished two professors at UT Austin from 1971-1996, may not have been doing enough to get rid of “deadwood professors.”

Post-tenure review seems to have brought more accountability to higher education and pleased both lawmakers and faculty. Still, certain concerns remain. Several committee members, as well as faculty representatives who testified, voiced misgivings about the treatment of non-tenured and part-time faculty, particularly with regard to academic freedom. While the AAUP’s 1940 Tenure statement says that “during the probationary period [i.e., the six years before a professor may receive tenure] a teacher should have the academic freedom that all other members of the faculty have,” several professors testified that this seldom happens in reality.⁴⁰ This issue becomes increasingly relevant as non-tenured faculty continue to constitute a larger percentage of total faculty.

Other committee members stated that they still had problems with the institution of tenure. Some noted that in the business world, public secondary education, or any other job market, tenure does not exist. Members also felt that the constitution already protected a professor’s freedom of speech and, therefore, tenure was not necessary.

TESTIMONY HIGHLIGHTS

Chair Rangel began the meeting by discussing some of the history of SB 149, noting that it was due in large part to the collaborative efforts of Dr. Charles Zucker, President of the Texas Faculty Association, and former State Representative Henry Cuellar. She then called Dr. Dennis Longmire and Dr. Debra Price, both from Sam Houston State University, to testify before the Committee regarding their 1998-2002 survey of various state institutions that were conducting post-tenure review. Dr. Longmire stated that 13 institutions throughout the state had participated in their project, with roughly 1,500 total faculty responding. Some of the key figures that Dr. Longmire presented were: roughly 80 percent of the surveyed faculty members believed that tenure was still critical to academic freedom, the large majority of the faculty who underwent post-tenure review felt that it was fair and had not been as troubling as they originally thought it would be: and about 10 percent of those reported altering their professorial behavior as a result of post-tenure review with most of them devoting their attention to improved research.

Chair Rangel raised the issue of non-tenured faculty and whether they had the same academic freedom as their tenured colleagues. Dr. Price replied that, in her own experience as a previously non-tenured faculty member, she had once been advised to “hold her tongue” regarding a particular

controversial issue and that other tenure-track professors were often forced to restrict their academic freedom in this same manner.

On the issue of tenure, Vice-Chair Brown stated that, though he was a serious advocate for higher education, he questioned why professors were the only professionals on the entire planet who had tenure. He specifically noted that in the business world and in public secondary schools, no one had tenure. Dr. Longmire replied that a person underwent the grueling process of obtaining tenure to prove that they are diligent workers and can be successful in their particular field. Once they have received tenure, that individual has more freedom to “think outside of the box” and do more advanced research, thus advancing the university and the educational experience of its students. Dr. Price stated that tenure was a symbolic commitment between the university and the teacher. In addition, she noted that if one looks at data from the Texas Higher Education Coordinating Board, Texas will need about 5,000 new faculty members by 2015. In order to attract the best faculty to fill these positions, Texas would need to appear “faculty friendly” by maintaining the integrity of tenure. Vice-Chair Brown would later comment that, while he still was not sold on the concept of tenure, he feared there would be a “mass exodus” of qualified teachers in Texas if tenure was abolished and that this would inhibit our ability to compete with other states for exceptional faculty.

Vice-Chair Brown also expressed concerns about whether a tenured professor could impose their particular views on their students without fear of being reprimanded. Dr. Price replied that, due to the high emphasis placed on student evaluations both before and after a professor receives tenure, this would almost never happen because most students would not stand for having their teacher’s views imposed upon them. Voicing similar concerns for students, Vice-Chair Brown questioned whether academia’s emphasis on research and publishing might divert professors’ attention from teaching their students. Dr. Longmire responded that one could not separate teaching from research or from service and that you could not be an effective teacher without all three. He noted that universities like research because it brought in additional funding, but that the real benefit was to the students. A good teacher must be “actively alive” in their discipline to teach meaningful courses and have effective classroom discussions and research is a very integral part of this.

University of Houston System

Dr. Edward Sheridan, Senior Vice Chancellor for Academic Affairs at the University of Houston System, stated that post-tenure review had been successfully implemented at the University of Houston System with little to no controversy. Since SB 149, a select few tenured faculty throughout the system have undergone some remediation, some have changed their habits before undergoing post-tenure review in order to forestall a negative review, and another select few have

simply chosen to retire. All of these instances have occurred in very small numbers relative to the entire set of tenured faculty members.

Representative Jesse Jones asked Dr. Sheridan whether he felt that the need for post-tenure review reflected the fact that the tenure-track process is not doing a sufficient job of weeding out bad professors. Dr. Sheridan replied that this was an important question, but he did not feel that just because a very small number of professors received less than favorable reviews, this was an indication that the tenure process was not effective.

University of North Texas

Dr. Norval Pohl, President of the University of North Texas (UNT) also gave a favorable report regarding the implementation of SB 149. He reported roughly 2,000 faculty had undergone reviews since the legislation was enacted and that, of these, nine had been identified with problems. Commenting on the difficulty of obtaining tenure, Dr. Pohl noted that only half of the faculty that UNT hires eventually earn tenure. He stated that, in his view, the most important aspect of tenure was not academic freedom, but the symbolic commitment it represented between an institution and a faculty member.

Chair Rangel asked whether there was a high cost and paperwork associated with post-tenure review. Dr. Pohl indicated that there was, but he felt that the benefits of post-tenure review outweighed the costs.

University of Texas System

Dr. Michael Kerker, Assistant Vice Chancellor for Academic Affairs at The University of Texas System (UT System), stated that SB 149 had been fully implemented throughout the system but that it was difficult to gauge its effects because UT System had annually reviewed its faculty for quite some time before the legislation. Chair Rangel asked whether administrators were reviewed similarly to tenured faculty. Dr. Kerker replied that the board of regents had shown a renewed interest in the quality of administration thus, in a sense, administrators were being reviewed even if they did not have tenure.

Texas State University System

Dr. Lamar Urbanovsky, Chancellor of the Texas State University System (TSUS), noted that Dr. Sheridan and Dr. Pohl had already given good testimony regarding the interim charge and he echoed their sentiments. Dr. Urbanovsky stated that TSUS, like other systems, had a review system in place before SB 149 and felt that the legislation had enhanced the existing system.

Texas Tech University System

Dr. John Burns, Provost and Chief Academic Officer of the Texas Tech University System

(TTUS), like those who testified before him, gave a generally favorable review of the implementation of SB 149, but noted that it was difficult to assess its true impact because the system was doing annual reviews long before the legislation was enacted. Chair Rangel asked Dr. Burns whether he felt post-tenure review assured parents that their children were receiving a quality education. Dr. Burns replied that, every now and then at events like freshman orientation, parents raised questions about the quality of TTUS's professors and that post-tenure review is good for assuring those parents of the quality of the faculty.

Texas A&M University System

Dr. Leo Sayavedra, Vice Chancellor for Academic and Student Affairs at the Texas A&M University System (TAMUS), gave positive comments about post-tenure review at TAMUS and noted that a similar review process was in effect before SB 149. Responding to questions from both the chair and vice-chair, Dr. Sayavedra stated that academic freedom did not allow a professor to discuss whatever he or she wanted in class, only material that is relevant to the subject, and that all tenure systems have rules in place to discipline and even fire professors in cases of moral turpitude, such as sexual harassment.

Texas Faculty Association

Dr. Charles Zucker, Executive Director, and Dr. Mike Siciliano, Professor of Molecular Genetics at the University of Texas M.D. Anderson Cancer Center, spoke on behalf of the Texas Faculty Association and gave mostly favorable testimony regarding SB 149 and its implementation. Dr. Zucker referred to tenure as a "quality control" system that assured only the best professors received tenure and that post-tenure review simply added another layer of quality to the system. He stated that tenure obviously had certain benefits for the faculty, however, as Dr. Longmire had previously mentioned, the true beneficiaries were students who were taught by teachers up to date on the latest developments in their fields and free to consider all opinions in the classroom. Dr. Zucker also noted that non-tenured professors did not have the same due process rights as their tenured colleagues and that the remedy to this was not a weakening of tenure, but a strengthening of the rights of non-tenured professors.

Dr. Siciliano emphasized the important role that tenure played with regard to research. Without tenure, he believed that professors would not be willing to take risks in their field of research. This would be very detrimental not just to the university but to society as a whole because it is precisely the most risky research that has the biggest payoff and "puts people on the moon and gets chemotherapy working." Dr. Siciliano argued that one of the main reasons the United States has prospered is because its system of tenure and academic freedom are so much more advanced than anywhere else in the world, such as Europe.⁴¹ With regard to post-tenure review, he stated that there

were definite benefits, but we should be cautious that it does not discourage high-risk research.

American Association of University Professors, Texas Conference

Dr. Linda Vaden-Goad, Immediate Past President of the American Association of University Professors (AAUP), Texas Conference, and Dr. William Brigman, Current Vice President of AAUP, gave a generally favorable assessment of post-tenure review and focused most of their conversation on tenure itself. Dr. Vaden-Goad stressed the enormous difficulties one faced in trying to acquire tenure and noted that these obstacles insured that those faculty members who are tenured are of a very high quality. Dr. Brigman stated that the role of the university is to deal with contentious ideas, albeit in a respectful manner, in order to advance its students learning and benefit society. He stated that tenure was critical to insuring that professors can discuss and research such controversial, but important issues without fear of retribution. Chair Rangel thanked Dr. Brigman and the previous speakers for their comments and noted that it is critical to always keep students in mind when discussing these issues.

Texas Federation of Teachers

Mr. Ted Melina Rabb, Senior Legislative Assistant of the Texas Federation of Teachers (TFT), stated that his organization looked favorably upon SB 149 and its emphasis on accountability. The only suggestion that TFT wanted to add was that the legislation should also focus on the accountability of the institutions overall, rather than just the individual teachers.

RECOMMENDATIONS

1. Improve the academic freedom and general work conditions experienced by the growing proportion of non-tenured faculty members.
2. Create a statewide post-tenure review policy to be utilized by all public institutions of higher education with tenured faculty. Employ a commission of university administrators and faculty from across Texas to draft this post-tenure review policy. Ensure that policy stipulates, should a tenured faculty member be subject to termination, any final decision making authority be granted to university administrators.
3. Ensure that tenured professors maintain their responsibility and obligation to students, remaining committed to addressing their academic needs. Ensure the implementation of rigorous and thorough mechanisms of post-tenure review, protecting the integrity of an academic environment conducive to student learning.

INTERIM CHARGE EIGHT
BACKGROUND

In 2001, following the 77th Legislature, the House Committee on Higher Education was charged with the following:

Actively monitor agencies and institutions under the committee's oversight jurisdiction.

The Committee actively monitored oversight via testimony from various state agencies and higher education institutions as all hearings. Furthermore, the Committee continues to actively monitor agencies and institutions via tours of statewide institutions taking place over the course of the remaining interim period.

RECOMMENDATIONS

1. The Committee has no recommendations at this time regarding Interim Charge Eight.

MINORITY REPORTS

The State of Texas
House of Representatives

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October 21, 2002

The Honorable Irma Rangel
Chairperson, House Committee on Higher Education
Members of the Texas House of Representatives
Post Office Box 2910
Austin, Texas 78768-2910

Dear Chairperson Rangel:

The undersigning member of the Committee on Higher Education of the Seventy-Seventh Legislature hereby submits the following Minority Report to the Interim Report by the committee. This report only amends the Interim Report's recommendation for Charge #2 with specific reference to legislation abolishing the Higher Education Coordinating Board and the Texas Education Agency, and merging them into one agency. I am in full and complete agreement with all other recommendations. While I agree that legitimate concerns have been raised regarding the Coordinating Board and TEA, I was not convinced that a compelling argument was made to suggest that a merger was the unique solution. Since these groups approach education from different points of view, the Legislature may wish to exercise caution in that a merger may even magnify the problems rather than provide a solution. Nonetheless, sufficient concerns have been raised to suggest the exploration of such a merger.

Therefore, the undersigning member recommends that the 78th Legislature appoints a joint interim committee to study the merits and feasibility of merging the Texas Education Agency and the Higher Education Coordinating Board into a single state agency to oversee public and higher education in Texas.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jesse W. Jones".
Jesse W. Jones
Member

Vice Chair - Elections
Member: Local & Consent Calendars • Higher Education

State of Texas
House of Representatives



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Geanie W. Morrison
DISTRICT 30

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To: The Honorable Irma Rangel, Chair
Committee on Higher Education

From: Representative Geanie W. Morrison

Date: October 25, 2002

Subject: Interim Charges Report for the Committee on Higher Education

Madame Chair,

Thank you for all of your time and effort on behalf of the Committee on Higher Education. I know how dedicated you are to making sure that every student in the state of Texas has the opportunity to continue their education. I support you in your efforts for access and quality.

I will sign the Interim report with the inclusion of the following in a minority report. These are the recommendations that I cannot fully support with my concerns outlined:

Charge 2:

While I understand your concern that the TEA and the THECB should do a better job of working toward a seamless K-16 system, I do not think that there has been enough information presented to the committee to show that combining the two agencies would achieve your goal. I do agree that we should continue to investigate the coordination of the two agencies. If it is determined that it would benefit the citizens of Texas to combine the two agencies, then we should discuss that further during the upcoming legislative session.

Charge 3:

As a rural representative, I do agree that transportation to and from school is an issue for students. Our community colleges and universities are aware of the problems in each region, and I think that they should address them without a legislative mandate that we will not be able to fund.

Thank you for all that you have done for the students of our great state. You are a wonderful chair with compassion for all on your committee. I have truly enjoyed serving with you for the past two sessions, and look forward to working with you again during the 78th session.

Sincerely,

Geanie W. Morrison



Texas House of Representatives



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Elvira Reyna
State Representative
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October 22, 2002

The Honorable Irma Rangel
Chairwoman - House Committee on Higher Education
P.O. Box 2910
Austin, Texas

Dear Representative Rangel:

Thank you for the opportunity to submit comments relating to the House Committee on Higher Education interim report. Although I believe the majority of the Committee's recommendations are strong and directed toward our stated goal, I respectfully submit the following comments on charge five.

INTERIM CHARGE 5

The study of chiropractics and the chiropractic profession is a valued and necessary field. However, I believe the more immediate priority should be directed toward the participation of our diverse and rapidly growing population. The goal of the "Closing the Gap", Higher Education Plan is to increase enrollment by 500,000 by the year, 2015. Funding needs to be focused on strategies to improve participation and affordability in this area and time frame. Challenged with a decrease in operating budget, we will be required to prioritize higher education needs. I propose that we channel funding dollars to strengthen existing regional universities and colleges in order to reach our goal.

Again, thank you for this opportunity to comment on the committee's recommendations. I truly appreciate your leadership on this highly respected and important committee.

Sincerely,

A handwritten signature in cursive script that reads "Elvira Reyna".

Elvira Reyna

E-mail: elvira.reyna@house.state.tx.us

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G.E. (BUDDY) WEST
DISTRICT 81

To: The Honorable Irma Rangel
Madame Chair
House Committee on Higher Education

From: Representative G. E. "Buddy West

Date: October 18, 2002

Subject: Evaluations of the Interim Charges for the Report on House Committee on Higher Education

Madame Chair,

I want to thank you all of the hard work and dedication you have invested toward improving higher education throughout Texas.

While I gladly lend my signature of approval for the House Committee on Higher Education Interim Report, there are a few committee recommendations I do not fully support. Please include my following concerns as an admission to the minority report:

Charge 2: Recommendation to eliminate the TEA and the THECB

While I appreciate the goal of achieving more effective and efficient results within the participation and performance gaps within Texas, I believe that we should proceed with caution when discussing the elimination of two agencies. I am in complete support of carefully examining and evaluating the issue of combining these two agencies to better serve our youth during the next 78th Legislative Session, however, I think suggesting that the Legislature pass legislation that would eliminate the Texas Education Agency and the Texas Higher Education Coordinating Board is slightly premature. I look forward to discussing creation of a single education agency to improve the performance and participation of our P-16 program in great detail.

ECTOR COUNTY
Committee: Vice Chair of Appropriations, Higher Education

Charge 3: Recommendation to institute transportation programs for rural students

While the issue of transportation is an acute problem for many rural students throughout Texas, I believe it is very important that the implementation of such a plan should be at the discretion of each community college taxing district. As we all know, we are facing a potentially substantial budget deficit next session. I think that it is important that we caution ourselves against the possibility of passing any unfunded mandates that will be forced onto these rural institutions of higher learning.

It has truly been a pleasure serving with you and everyone else on this committee. If you have any questions, please do not hesitate to contact me at 512-463-0546.

Sincerely yours,



Buddy West

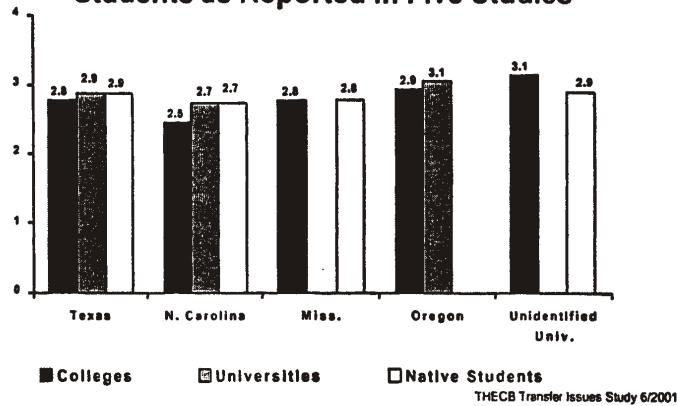
APPENDIX I

APPENDIX I-A

One way to address the issue of "quality" as it affects transfer is to compare grade point averages (GPAs) of transfer students to the GPAs of "native" university students. (Native students are those students who begin and remain at the same institution.) Graph 1 summarizes information from separate studies conducted in Texas, Oregon, Mississippi, and North Carolina and data published in the *Community College Review*.


Graph 1.

Comparison of Cumulative GPAs for College Transfer Students, University Transfer Students, and University Native Students as Reported in Five Studies



The data in Graph 1 show a difference among the three groups (college transfer students, university transfer students, and university native students) of 0 – 0.48 GPA. When full-time students are only compared with full-time students and part-time students with part-time students, as done in the study from the unidentified university, the difference between transfer students and native students is 0 – 0.29 GPA.


APPENDIX I-B



Transfer Issues in Higher Education

House Higher Education Committee
April 1, 2002


THEO 6342 1



Closing the Gaps – Texas' Higher Education Plan

- **Goal 1: Close the Gaps in Participation**
 - By 2015, close gaps in participation rates across Texas to add 500,000 more students
- **Goal 2: Close the Gaps in Success**
 - By 2015, increase by over 50 percent the number of degrees, certificates, and other identifiable student successes from high quality programs


THEO 6342 2



Transfer – a Fact of Life

- **Greater student mobility**
 - Attending multiple institutions
 - New types of institutions
 - New delivery methods – off-campus, distance education
 - Longer time to degree
 - Increased transfer = students more likely to encounter transfer difficulties


THEO 6342 3



Why Students Transfer

- They move (or their family does)
- Fulfill personal plans/goals
- Change plans/goals/major
- Cost considerations


THEO 6342 4



Questions to Ask and Answer

- What is the problem?
- How large is the problem?
- What do we need to do to have the best transfer policies and procedures?
- Any "barriers" to remove?
- Any encouragements or incentives to offer to schools, to students?

THEO 6342 5



The Goal – Appropriate, Efficient Transfer

- **Shared Responsibilities**
 - State
 - Schools
 - "Senders"
 - "Receivers"
 - Students

THEO 6342 6

Some of the Issues, Some of the Perspectives – The State

- State
 - What's the state's role?
 - How does it fit with institutional or accreditation issues?
 - Are current policies appropriate?
 - Are policies a "barrier" to students?
 - Are policies helpful to students?
 - Funding implications

THEC 6349 7

The Schools

- Schools
 - "Senders" and "Receivers"
 - Community and Technical Colleges
 - Public and private universities and colleges
 - Health-related institutions
 - Proprietary schools

THEC 6349 8

Some School Issues

- "Senders"
 - Roles and missions
 - Expanding curricula
 - Curricular changes – senders/receivers
 - Advising
 - Students = \$\$
- "Receivers"
 - Roles and missions
 - Communication with "senders," students
 - Advising
 - Curricular changes – senders/receivers
 - Degree integrity
 - Students = \$\$

THEC 6349 9

Some Student Issues

- Don't always seek information
- Info complex, changing, unclear, hard to get
- Accepting consequences of prior choices and performance
 - Changing majors
 - Changing types of degree – tech to academic, focused technician to broader capabilities, etc.
 - Failure to seek advice
 - Grades

THEC 6349 10

What's being done

- Using many tools
 - Texas Common Course Numbering System
 - Core curricula
 - Better information for students, faculty and counselors
 - "Best practices" of all types

THEC 6349 11

What's being done

- Development of Fields of Study
 - Board has approved:
 - Child Development/Early Childhood Education (April 1999)
 - Middle Grade Education (July 2000)
 - Business (July 2000)
 - Music (October 2000)
 - Engineering Technology (Civil, Computer, Construction, Electrical/Electronic, Manufacturing, Mechanical) (October 2001)

THEC 6349 12

What's being done

- **Development of Fields of Study, Cont'd:**
 - **Board has approved, continued:**
 - Engineering (Aerospace, Aeronautical, & Astronautical Engineering; Agricultural Engineering; Architectural Engineering; Biomechanical & Biomedical Engineering; Chemical Engineering; Civil Engineering; Computer Engineering; Electrical, Electronics, & Communication Engineering; Engineering Physics; Engineering Science; Environmental/Environmental Health Engineering; General Engineering; Industrial Engineering; Mechanical Engineering; Metallurgical Engineering; Naval Architecture & Marine Engineering; Nuclear Engineering; Ocean Engineering; Petroleum Engineering; and Textile Sciences & Engineering) (January 2002)

THEC 63/02 33

What's being done

- **Field of Study**
 - **Proposed:**
 - Nursing
 - **Committees Appointed**
 - Communications (General, Advertising, Journalism & Mass Comm., Public Relations & Organizational Comm., Radio & TV Broadcasting, Speech & Rhetorical Studies)
 - **Committees to be Appointed:**
 - Criminal Justice
 - Computer Science
 - **2004:**
 - English (General), Health/ Physical Education, Psychology, Social Sciences (Economics, History, Political Science, Sociology)

THEC 63/02 34

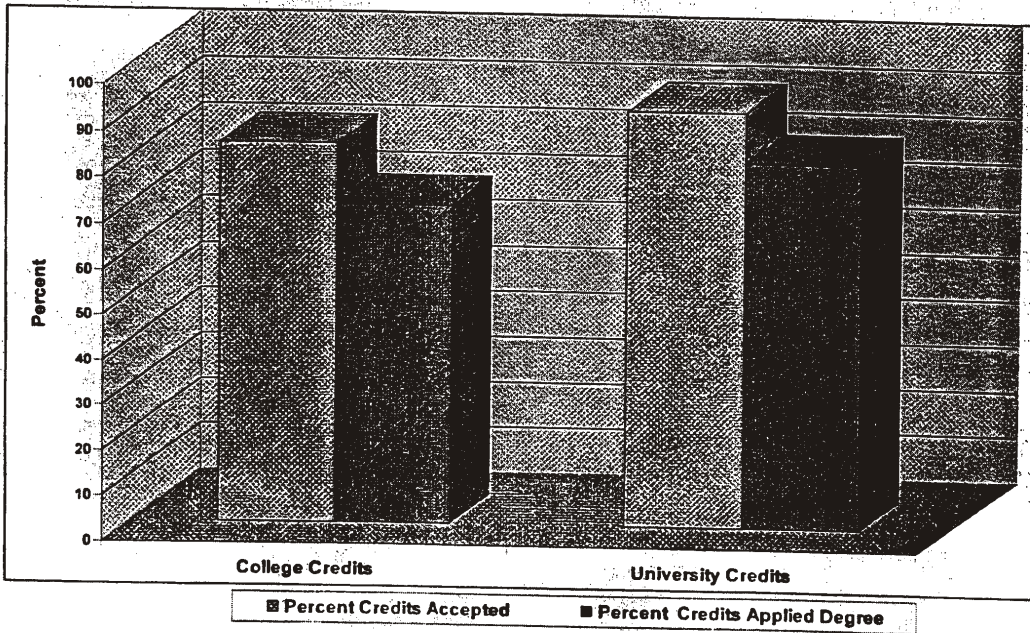
What's being done

- **Transfer Issues Advisory Committee**
 - Established in 2000
 - Comprised of college and university representatives
 - Working collaboratively
 - Report issued in June 2001

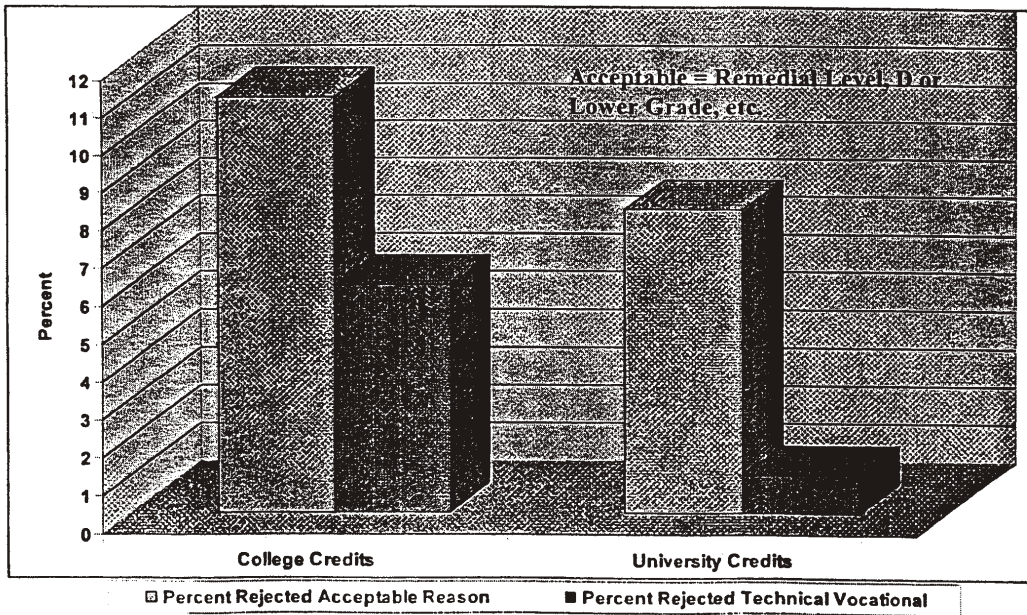
THEC 63/02 35

APPENDIX I-C

SUMMARY TRANSFER EFFICIENCY



SUMMARY of CREDITS DENIED TRANSFER



APPENDIX II

Participation of Students from Rural High Schools in Relation to Their First-Time Entering Undergraduate Class
1997 thru 2001

	1997		1998		1999		2000		2001		Totals		%
	Rural	Total	Rural	Total	Rural	Total	Rural	Total	Rural	Total	Rural	Total	
Angelo State University	529	1,224	515	1,261	534	1,245	525	1,287	542	1,302	2,645	6,319	42%
Lamar University	55	1,064	47	1,148	65	1,179	76	1,218	57	1,423	300	6,032	5%
Midwestern State University	106	856	98	822	55	594	114	847	135	848	508	3,967	13%
Prairie View A&M University	75	1,208	82	1,220	54	989	78	1,346	97	1,392	386	6,155	6%
Sam Houston State University	335	1,778	342	1,621	336	1,643	351	1,713	380	1,773	1,744	8,528	20%
Southeast Texas State University	363	2,392	413	2,717	300	2,563	314	2,625	312	2,567	1,702	12,864	13%
Stephen F. Austin State University	483	2,415	441	2,412	408	2,309	439	2,274	417	2,227	2,188	11,637	19%
Sul Ross State University	135	306	143	332	117	271	88	268	145	352	628	1,529	41%
Tarleton State University	408	969	414	932	413	932	345	745	477	1,130	2,057	4,738	43%
Texas A&M International University	26	224	54	270	79	304	41	317	46	364	246	1,479	17%
Texas A&M University-Corpus Christi	75	509	99	602	146	764	160	851	197	1,062	677	3,788	18%
Texas A&M University-Commerce	752	5,595	837	6,658	962	6,693	939	6,685	1058	6,702	4,548	32,333	14%
Texas A&M University-Galveston	113	567	94	555	150	631	114	624	123	642	594	3,019	20%
Texas A&M University-Kingsville	5	182	13	302	22	399	22	428	20	353	82	1,664	5%
Texas Southern University	332	938	349	864	291	772	394	990	402	944	1,768	4,508	39%
Texas Tech University	14	1,421	23	730	22	827	14	1,090	36	1,580	109	5,648	2%
Texas Woman's University	654	3,364	662	3,238	704	3,536	773	4,106	761	4,238	3,554	18,482	19%
University of Texas at Arlington	34	424	36	431	23	385	34	431	33	606	160	2,277	7%
University of Texas at Austin	61	1,397	54	1,309	60	1,475	68	1,685	95	1,946	338	7,812	4%
University of Texas at Brownsville	410	6,753	389	6,742	410	7,036	459	7,684	499	7,324	2,167	35,539	6%
University of Texas at Dallas	0	480	0	51	0	31	0	142	1	136	1	367	0%
University of Texas at El Paso	6	1,774	15	527	20	635	24	840	47	1,032	112	3,514	3%
University of Texas at San Antonio	10	1,901	3	1,859	10	2,067	14	2,238	18	2,331	55	10,269	1%
University of Texas at Tyler	211	1,901	194	2,036	194	1,811	220	1,828	187	2,024	1,006	9,600	10%
University of Texas-Permian Basin	0	0	19	100	15	222	27	178	79	262	140	762	18%
University Of Houston	149	2,043	110	1,919	127	2,010	116	2,083	131	2,232	633	10,287	6%
University Of Houston - Downtown	30	120	34	117	23	107	35	150	25	173	147	667	22%
University Of North Texas	7	2,961	0	3,394	19	3,311	5	3,135	61	3,481	97	16,282	1%
West Texas A&M University	0	933	0	972	0	1,004	0	988	6	1,122	6	5,019	0%
Statewide	160	2,421	187	2,591	201	2,886	219	2,969	248	2,907	1,015	13,774	7%
	396	929	357	920	429	1,021	399	901	372	818	1,953	4,589	43%
	5,934	47,155	6,029	48,652	6,189	49,682	6,407	52,666	7,007	55,293	31,566	253,448	12%

APPENDIX II-A

THECB 10/15/2002

1 of 1

rural ratio.xls

Public Universities
Total Enrollment of Students from Rural Counties* Compared to Total Enrollments, by Institutions
Fall 1997 - 2001

	1997		1998		1999		2000		2001		Percentage Change 1997 v. 2001	
	Rural	Total %age Rural	Rural	Total %age Rural	Rural	Total %age Rural	Rural	Total %age Rural	Rural	Total %age Rural	Rural	Total
Universities Located in Rural Counties												
San Houston State University	3,768	12,702	3,632	12,203	3,563	12,214	3,535	12,348	3,697	12,955	-1.9%	2.2%
Stephen F. Austin State Univ	4,770	12,056	4,669	12,119	4,573	11,938	4,431	11,453	4,494	11,525	-5.8%	-4.4%
Sul Ross State University	1,425	2,407	1,379	2,274	1,300	2,110	1,235	2,010	1,224	1,992	-14.1%	-17.2%
Sul Ross Rio Grande College	851	873	806	827	859	871	813	828	802	810	-98.0%	-7.2%
Tarleton State University	3,285	6,381	3,291	6,307	3,321	7,433	3,350	7,545	3,390	8,024	44.4%	25.7%
Totals - Univ. in Rural Counties	14,089	34,419	13,777	33,730	13,616	34,566	13,364	34,184	13,607	35,336	-3.5%	2.7%
Universities Located in Non-Rural Counties												
Angelo State University	2,164	6,232	2,240	6,313	2,261	6,219	2,270	6,290	2,274	6,256	5.1%	0.4%
Lamar University	470	8,143	500	8,235	524	8,149	579	8,568	608	8,968	6.8%	29.4%
Mohave State University	976	5,770	972	5,687	968	5,688	924	5,812	950	5,960	-2.7%	3.3%
Prairie View A&M University	465	6,004	454	5,995	502	6,773	502	6,609	547	6,747	17.6%	12.4%
Southwest Texas State Univ	2,524	20,652	2,679	21,477	2,693	21,725	2,719	22,423	2,728	23,517	8.1%	17.6%
Texas A&M International Univ	122	2,839	153	3,001	197	3,207	182	3,038	242	3,372	7.2%	18.8%
Texas A&M Univ at Galveston	98	1,111	95	1,168	84	1,288	88	1,363	88	1,366	6.4%	23.0%
Texas A&M University-Corpus Christi	685	6,025	830	6,335	904	6,621	1,010	6,823	1,157	7,369	15.7%	22.3%
Texas A&M University-Commerce	5,626	38,243	5,798	40,113	6,224	43,442	6,274	44,026	6,447	44,618	14.4%	16.7%
Texas A&M University-Texasarkana	1,938	7,661	1,954	7,754	1,938	7,782	1,858	7,483	1,982	7,934	2.3%	3.6%
Texas A&M University-Texasarkana	171	1,045	248	1,153	231	1,152	244	1,195	278	1,219	22.8%	16.7%
Texas Southern University	2,946	6,048	2,885	5,995	2,887	5,832	2,819	5,942	3,036	6,148	49.4%	1.7%
Texas Tech University	131	7,310	120	6,316	127	6,522	128	6,866	181	8,119	2.2%	38.2%
Texas Woman's University	4,541	25,022	4,492	24,158	5,096	24,249	5,052	24,199	4,913	25,416	19.3%	11.1%
U. of Texas at Arlington	606	9,338	621	9,316	674	8,624	674	8,404	631	7,867	6.7%	8.2%
U. of Texas at Austin	554	19,286	637	18,662	684	19,149	693	20,424	765	21,180	3.6%	-15.5%
U. of Texas at Dallas	2,805	48,857	2,745	48,906	2,743	49,009	2,774	49,996	2,846	50,616	5.6%	9.8%
U. of Texas at El Paso	10	2,568	5	2,594	29	2,822	36	3,157	44	3,494	1.1%	3.6%
U. of Texas at El Paso	108	9,316	127	9,518	155	10,101	161	10,945	183	12,455	1.5%	36.1%
U. of Texas at El Paso	103	15,176	83	14,677	76	14,695	65	15,224	85	16,220	0.5%	69.4%
U. of Texas at El Paso	966	12,501	910	12,373	850	12,570	836	12,760	901	13,660	6.6%	6.9%
U. of Texas at El Paso	345	2,130	363	2,214	340	2,224	324	2,272	339	2,409	14.1%	-1.7%
U. of Texas at El Paso	1,610	17,494	1,717	18,391	1,839	18,608	1,902	18,830	2,028	19,863	10.2%	13.1%
U. of Texas at El Paso	904	3,390	958	3,374	983	3,390	1,038	3,592	1,077	3,732	28.9%	19.1%
U. of Texas at El Paso	575	31,602	613	32,296	622	32,651	623	32,123	693	33,007	1.9%	10.1%
U. of Houston-Clear Lake	40	6,947	37	6,805	55	7,114	71	7,580	47	7,738	0.6%	11.4%
U. of Houston-Downtown	30	8,155	35	8,386	46	8,712	60	8,951	63	9,704	0.6%	19.0%
U. of Houston-Victoria	531	1,460	549	1,514	518	1,526	541	1,698	517	1,927	26.8%	30.2%
University of North Texas	1,451	25,013	1,523	25,514	1,554	26,493	1,764	27,054	1,869	27,858	6.7%	11.4%
West Texas A&M University	2,082	6,488	2,020	6,348	2,057	6,651	2,237	6,775	2,357	6,675	35.3%	2.9%
Totals - Univ. in Non-Rural Co.	35,577	361,846	36,363	364,528	37,791	372,508	38,435	380,442	39,766	395,434	11.8%	9.3%
TOTALS - All Universities	49,676	396,265	50,140	399,258	51,407	407,074	51,799	414,626	53,373	430,770	12.4%	7.4%

* Rural counties are the same ones identified by the House Select Committee on Rural Development, 2000
** Data for 1997 and 1998 do not include Veteranian students at Texas A&M University.

APPENDIX II-B

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Public Two-Year Institutions
Enrollment of First-Time Entering Students from Rural Counties* to Their First-Time Entering Class
Summer/Fall 1997-2001

Two-Year Institutions Located in Rural Counties	1997		1998		1999		2000		2001		Percentage Change 1997 v. 2001	
	Rural	% Rural	Rural	% Rural	Rural	% Rural	Rural	% Rural	Rural	% Rural	Rural	Total
Angelina College	1,068	93%	1,157	95%	1,172	94%	1,221	93%	1,221	93%	1,268	18.7%
Blinn College	1,272	39%	3,686	35%	2,083	39%	1,742	37%	2,496	37%	2,496	17.1%
Cisco Junior College	404	34%	408	43%	281	33%	323	36%	307	35%	2,496	-24.0%
Clarendon College	110	88%	104	84%	104	88%	155	70%	147	70%	336	-33.6%
Coastal Bend College	810	89%	871	85%	841	88%	891	90%	868	85%	569	-29.8%
Frank Phillips College	444	50%	405	49%	413	43%	533	87%	315	382	315	-60.7%
Howard College	384	60%	649	62%	657	63%	915	64%	915	64%	617	55.3%
Southwest Collegeplate Institute	12	29%	46	9%	31	35%	10	24%	48	13%	6	-50.0%
Kilgore College	294	24%	1,215	19%	1,147	20%	247	20%	1,181	20%	234	-20.4%
Navarro College	533	40%	1,336	39%	1,375	36%	611	36%	1,950	37%	718	34.7%
Northeast Texas Comm College	550	88%	595	89%	535	89%	563	87%	611	87%	617	12.2%
Parola College	641	66%	627	74%	606	74%	787	68%	1,385	68%	315	-24.1%
Paula Junior College	253	70%	385	70%	411	69%	341	50%	500	65%	897	50.4%
Ranger College	1,021	43%	2,185	40%	2,211	37%	944	40%	2,821	39%	1,103	-38.9%
South Plains College	957	98%	884	99%	829	98%	1,129	99%	1,057	99%	1,057	8.0%
Southwest Texas Junior College	220	46%	301	52%	914	42%	1,137	42%	1,087	42%	314	42.7%
Vernon Texas College	447	92%	429	91%	494	88%	452	88%	554	91%	503	12.5%
Wheaton County Junior College	594	40%	1,533	40%	623	38%	624	38%	1,909	38%	720	13.8%
Total - Two-Year Institutions in Rural Counties	10,429	56%	21,161	60%	11,001	53%	11,660	54%	24,354	51%	12,354	18.5%
Two-Year Institutions in Non-Rural Counties												
Alamo CCD RVV Vista College	4	0%	184	5%	26	1.022	47	1.535	60	1.103	80	1400.0%
Alamo CCD Palo Alto College	250	13%	1,892	13%	255	1.538	261	1.620	150	1.281	150	-32.3%
Alamo CCD San Antonio College	193	4%	3,810	5%	213	4.342	179	4.155	92	3.479	92	-40.6%
Alamo CCD St. Philip's College	79	4%	1,756	5%	60	1.844	86	1.918	45	1.564	45	-43.0%
Avin Community College	1	0%	5	1%	4	9.07	1	828	4	964	4	300.0%
Amarillo College	274	19%	1,444	19%	273	2.0%	304	1.372	632	2.22%	482	22.2%
Austin Community College	262	4%	8,085	6%	483	7.67	372	4.984	452	5.843	452	70.8%
Brasport College	19	5%	576	7%	32	6.96	19	1.741	28	1.815	28	47.4%
Central Texas College	169	11%	1,286	10%	152	1.462	170	1.347	138	1.415	138	-18.3%
College of the Mainland	8	0%	1,083	0%	22	2.144	29	2.460	31	2.738	31	-100.0%
Collin Co Comm Coll District	1	1%	1,297	1%	6	2.204	7	2.242	7	2.472	7	122.9%
DCCCDC Brookhaven College	8	0%	2,286	0%	6	9.03	6	9.36	5	8.86	5	400.0%
DCCCDC Cedar Valley College	4	0%	706	0%	6	2.056	20	2.233	19	2.554	19	375.0%
DCCCDC Eastfield College	1	0%	1,611	0%	1	1,108	1	1,082	1	1,285	1	266.7%
DCCCDC El Centro College	4	0%	799	0%	5	651	7	1,319	5	1,751	5	1,751%
DCCCDC Mountain View College	4	0%	1,195	0%	9	2,242	9	2,356	15	2,356	15	275.0%
DCCCDC North Lake College	4	0%	976	0%	4	3,353	4	3,153	5	3,491	5	-37.5%
DCCCDC Richard College	8	0%	2,126	4%	4	2,151	107	2,159	104	3,440	104	4.0%
Del Mar College	100	4%	2,442	4%	101	3,458	107	1,890	107	3,440	107	-100.0%
El Paso Community College Dist	2	0%	3,653	0%	6	440	16	478	10	414	10	4.4%
Garveston College	118	12%	950	12%	148	1,117	16	1,173	106	1,054	106	4.0%
Hill College	349	28%	1,281	28%	293	1,048	334	1,140	305	1,154	305	-12.6%
Houston Community College	22	0%	6,110	0%	25	5,895	59	6,815	70	5,734	70	-8.5%
Lamar Institute of Technology	31	6%	403	8%	44	489	44	623	57	575	57	218.2%
Lamar State Coll-Orange	41	12%	347	7%	36	613	30	623	32	417	32	83.9%
Lamar State Coll-Port Arthur	4	1%	491	1%	3	564	7	623	3	546	3	-22.0%
Lee College	63	5%	1,327	5%	83	1,279	60	1,172	50	1,080	50	-20.6%
Midland Community College	156	13%	1,210	13%	72	1,115	8	1,172	8	1,172	8	-20.1%
McLennan Community College	161	11%	1,412	11%	189	1,521	169	1,602	157	1,706	157	-23.4%
NH/MCCCD Kingwood College	205	15%	1,411	15%	216	1,326	150	1,438	169	1,523	169	7.9%
	15	1%	1,087	1%	11	599	44	1,364	41	1,557	44	193.3%

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Public Two-Year Institutions
Enrollment of First-Time Entering Students from Rural Counties* to Their First-Time Entering Class
Summer/Fall 1997-2001

	1997			1998			1999			2000			2001			Percentage Change 1997 v. 2001	
	Rural	Total	% Rural	Rural	Total	% Rural	Rural	Total	% Rural	Rural	Total	% Rural	Rural	Total	% Rural	Total	
NH/MCCCD Montgomery College	20	1,112	2%	25	723	3%	53	1,546	3%	64	1,519	4%	68	1,720	4%	230.0%	
NH/MCCCD North Harris College	3	1,809	0%	6	1,598	0%	8	2,249	0%	7	2,045	0%	14	2,410	1%	366.7%	
NH/MCCCD Tomball College	3	1,036	0%	5	872	1%	5	1,333	0%	8	1,820	0%	9	2,838	0%	200.0%	
North Central Texas College	415	1,144	36%	354	1,076	33%	327	1,175	28%	282	1,254	23%	331	1,250	26%	-20.2%	
Odeasa College	333	1,202	28%	339	1,242	27%	346	1,393	25%	352	1,288	27%	371	1,319	28%	11.4%	
San Jacinto College - Cen Campus	4	1,834	0%	7	2,023	0%	1	2,245	0%	11	2,288	0%	5	2,256	0%	23.0%	
San Jacinto College - S Campus	2	1,014	0%	3	1,088	0%	1	1,208	0%	5	1,263	0%	5	1,336	0%	150.0%	
South Texas Community College	2	905	0%	3	914	0%	1	969	0%	3	1,261	0%	-	1,396	0%	-100.0%	
Tarrant Co. Northeast Campus	199	1,623	12%	216	2,377	9%	248	2,508	10%	303	2,846	11%	322	3,504	9%	61.8%	
Tarrant Co. Northwest Campus	15	1,726	1%	8	1,572	1%	18	1,799	1%	18	1,898	1%	13	1,877	1%	-13.3%	
Tarrant Co. South Campus	28	865	3%	30	778	4%	23	842	3%	32	878	4%	28	963	3%	0.0%	
Tarrant Co. Southeast Campus	7	1,417	0%	6	1,226	1%	4	1,214	0%	12	1,371	1%	4	1,400	1%	28.6%	
Temple College	3	1,550	0%	8	1,378	0%	7	1,538	0%	3	1,783	0%	9	1,572	0%	33.3%	
Temple College	99	816	12%	109	965	11%	88	984	9%	178	1,110	16%	78	709	11%	-21.2%	
Texas State T.C. Marshall	148	1,139	15%	171	1,055	16%	152	1,011	15%	191	1,167	16%	165	1,114	15%	11.5%	
Texas State T.C. Marshall	4	1,176	0%	7	1,164	1%	39	1,822	0%	4	1,558	0%	52	1,551	1%	125.0%	
Texas State T.C. Marshall	135	1,176	11%	165	1,428	12%	168	1,542	11%	134	1,486	9%	184	1,634	11%	33.3%	
Texas State T.C. Marshall	416	1,502	28%	427	1,398	31%	372	1,168	32%	374	1,486	30%	361	1,486	29%	36.3%	
Texas State T.C. Marshall	288	400	72%	361	528	69%	312	519	60%	553	843	66%	486	672	72%	-13.3%	
Texas State T.C. Marshall	486	1,246	39%	368	1,052	34%	380	1,077	35%	481	1,289	38%	424	1,176	36%	68.8%	
Trinity Valley Comm College	629	2,458	26%	582	2,326	25%	676	2,313	29%	653	2,389	28%	715	2,477	29%	-12.8%	
Tyler Junior College	470	1,057	44%	478	1,052	46%	431	996	43%	562	1,137	49%	355	837	42%	13.7%	
Victoria College, The	335	953	35%	211	752	28%	261	815	32%	233	725	32%	223	843	26%	-24.5%	
Weatherford College																	
Totals - Two-Year Institutions in Non-Rural Co	6,575	80,719	8%	6,488	80,085	8%	6,688	90,369	7%	7,388	91,563	8%	7,955	96,435	8%	21.0%	
TOTALS - All Two-Year Institutions	17,004	99,473	17%	19,117	101,246	19%	17,689	111,112	16%	19,048	113,104	17%	20,309	119,789	17%	19.4%	



Public Two-Year Colleges
Total Enrollment of Students from Rural Counties* Compared to Total Enrollments, by Institutions
Fall 1997 - 2001

Community/Technical Colleges Located in Rural Counties	1997		1998		1999		2000		2001		Percentage Change	
	Rural	Total	Rural	Total	Rural	Total	Rural	Total	Rural	Total	1997 - 2001	Total
Community/Technical Colleges Located in Rural Counties	3,757	3,992	3,685	3,870	3,944	4,138	4,087	4,376	4,410	4,659	94.7%	17.4%
Angelina College	3,004	10,165	3,072	10,481	3,553	11,297	3,706	12,025	3,936	12,686	31.0%	31.0%
Blinn College	897	2,565	962	2,606	826	2,636	821	2,639	828	2,716	30.5%	16.7%
Cisco Junior College	768	891	658	750	737	837	867	1,001	795	880	83.5%	24.6%
Chenoweth College	2,409	2,755	2,382	2,730	2,545	2,876	2,691	3,026	2,749	3,095	-4.3%	5.9%
Coastal Bend College	979	1,101	1,005	1,131	1,094	1,222	1,031	1,153	1,115	1,242	88.9%	-4.3%
Frank Phillips College	1,053	1,960	1,036	1,895	1,020	1,883	1,303	2,337	1,372	2,539	88.8%	14.1%
Howard College	33	96	17	103	42	117	56	135	43	121	55.8%	13.9%
Southwest College	833	4,106	772	4,068	746	3,942	745	3,872	782	4,026	55.8%	29.5%
Kilgore College	1,583	3,362	1,539	3,375	1,535	3,539	1,748	3,989	1,929	4,411	43.7%	30.3%
Navarro College	1,818	2,027	1,837	2,045	1,767	1,956	1,781	1,990	1,968	2,203	19.2%	-1.9%
Northeast Texas Comm College	1,980	2,907	1,989	3,068	1,979	3,284	2,032	2,936	2,228	3,278	43.8%	8.3%
Panola College	832	2,907	827	2,904	827	2,904	827	2,904	827	2,904	68.7%	8.3%
Paris Junior College	2,099	2,907	2,099	3,068	1,983	2,894	2,032	2,936	2,228	3,278	68.7%	8.3%
Ranger College	832	2,907	827	2,904	827	2,904	827	2,904	827	2,904	68.7%	8.3%
South Plains College	2,465	6,217	2,464	6,568	2,554	7,116	2,663	7,432	3,065	8,512	70.0%	1.0%
Southwest Texas Junior College	3,337	6,217	3,479	6,568	3,379	6,568	3,674	6,568	3,674	6,568	36.0%	24.3%
Vernon College	671	1,750	779	1,929	781	2,095	818	2,095	847	2,269	98.9%	9.4%
Western Texas College	1,011	1,112	1,013	1,118	1,080	1,187	1,092	1,176	1,210	1,323	98.0%	26.2%
Wharton County Junior College	1,509	4,053	1,603	4,208	1,670	4,457	1,651	4,571	1,804	5,281	92.9%	19.7%
Totals - CTCs in Rural Counties	29,868	55,040	30,027	55,802	30,896	57,976	32,318	60,738	34,293	65,296	94.2%	14.9%
Community/Technical Colleges Located in Non-Rural Counties	9	1,479	16	495	66	2,361	136	4,056	205	5,425	3.8%	217.8%
Alamo CCD NW Vista College	671	7,307	599	6,569	695	6,466	712	6,370	775	6,888	11.6%	15.3%
Alamo CCD Palo Alto College	574	21,287	605	20,068	592	20,614	555	20,490	633	21,303	3.2%	-8.5%
Alamo CCD San Antonio College	219	8,259	226	8,302	206	8,072	242	8,286	193	8,528	2.2%	-1.9%
Alvin Community College	23	3,719	32	3,435	41	3,680	12	3,531	13	3,657	0.3%	-4.3%
Amarillo College	1,219	7,285	1,321	7,505	1,520	8,142	1,593	8,181	1,682	8,499	19.5%	-17.0%
Austin Community College	1,188	25,796	1,153	25,609	1,115	25,914	1,457	25,853	96	27,577	15.7%	32.5%
Brasport College	112	3,560	127	3,503	127	3,503	127	3,503	127	3,503	0.0%	11.1%
Central Texas College	552	6,040	647	6,052	710	7,366	793	6,650	805	7,231	11.1%	45.8%
College of the Mainland	3	3,596	1	3,291	1	3,200	1	3,159	3	3,346	0.0%	0.0%
Collin Co Comm Coll District	64	11,047	76	11,241	76	11,867	92	12,704	113	14,179	0.8%	76.6%
DCCC Brookhaven College	25	7,164	10	7,222	9	7,388	15	7,697	17	8,006	0.2%	-32.0%
DCCC Cedar Valley College	8	2,604	8	2,633	36	2,645	10	2,799	9	2,813	0.3%	11.6%
DCCC Eastfield College	16	7,810	21	7,615	12	7,547	19	7,643	35	8,462	0.4%	118.8%
DCCC El Centro College	12	4,683	11	4,247	12	4,301	17	4,366	19	4,763	0.4%	58.3%
DCCC Mountain View College	5	5,242	3	5,089	1	4,869	20	4,949	12	5,729	0.2%	140.0%
DCCC North Lake College	28	5,623	30	5,882	23	6,624	10	6,764	41	7,338	0.6%	46.4%
DCCC Richland College	17	12,009	15	11,853	14	11,776	12	11,958	14	12,680	0.1%	-17.6%
Del Mar College	474	10,399	449	9,783	434	9,668	483	9,683	495	10,246	4.8%	4.4%
EI Paso Community College Dist	7	19,371	6	18,672	10	18,655	10	17,747	23	2,207	0.0%	-100.0%
Galveston College	23	2,190	19	2,159	25	2,217	35	2,245	363	3,470	1.6%	0.8%
Houston Community College	342	3,131	367	3,162	330	3,320	320	3,260	363	3,470	10.5%	6.1%
Hill College	818	2,681	772	2,414	753	2,447	745	2,506	759	2,694	27.4%	-9.7%
Houston Community College	95	31,926	118	32,795	109	32,134	165	33,509	194	34,714	0.6%	104.2%

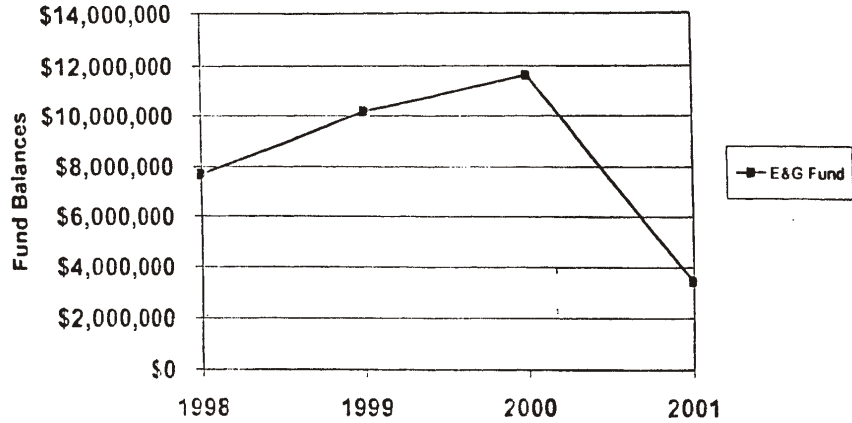
Lamar Institute of Technology	101	1,723	5.9%	119	2,094	5.7%	148	2,300	6.4%	156	2,349	6.6%	165	2,448	6.7%	63.4%	42.1%
Lamar State Coll-Port Arthur	146	1,562	9.3%	145	1,579	9.2%	128	1,764	7.3%	115	1,939	5.9%	117	2,020	5.8%	-19.9%	29.3%
Lamar State Coll-Port Arthur	27	2,381	1.1%	17	2,401	0.7%	22	2,381	0.7%	26	2,508	1.0%	19	2,497	0.8%	-28.6%	5.8%
Laredo Community College	342	7,471	4.6%	342	7,394	4.6%	334	7,443	4.5%	315	7,284	4.3%	318	7,469	4.3%	-7.0%	0.5%
Lee College	1,113	6,002	18.5%	903	5,906	15.3%	876	5,887	14.9%	1,082	6,170	17.5%	1,050	6,226	16.9%	-5.7%	3.7%
McKernan Community College	575	5,467	10.5%	590	5,608	10.5%	559	5,584	10.0%	590	5,821	10.3%	581	6,110	9.5%	1.0%	11.8%
Midland College	553	4,228	13.1%	607	4,576	13.3%	617	4,726	13.1%	780	4,841	15.7%	856	5,060	16.9%	54.8%	19.7%
NH-MCCCD Kingwood College	66	3,870	1.7%	95	3,749	2.5%	93	3,911	2.4%	95	4,588	2.1%	107	5,302	2.0%	62.1%	37.0%
NH-MCCCD Montgomery College	115	4,463	2.6%	133	4,625	2.9%	151	5,170	2.9%	172	5,316	3.2%	214	5,776	3.7%	86.1%	29.4%
NH-MCCCD North Harris College	28	9,628	0.3%	36	9,201	0.4%	30	9,380	0.3%	30	9,118	0.3%	45	9,972	0.5%	60.7%	3.6%
NH-MCCCD Tomball College	28	4,224	0.7%	20	4,454	0.4%	23	4,664	0.5%	26	5,902	0.4%	35	8,336	0.4%	25.0%	97.3%
North Central Texas College	1,345	4,231	31.8%	1,320	4,041	32.7%	1,308	4,282	30.5%	1,282	4,794	26.7%	1,303	5,182	25.1%	-3.1%	22.5%
Odesa College	1,069	5,041	21.8%	974	4,585	21.2%	988	4,778	20.9%	1,000	4,568	21.9%	985	4,545	21.7%	-9.6%	-9.8%
San Jacinto College Cen Campus	18	9,316	0.2%	22	9,855	0.2%	13	10,551	0.1%	32	10,816	0.3%	15	11,139	0.1%	-16.7%	19.6%
San Jacinto College N Campus	8	3,930	0.2%	7	4,156	0.2%	9	4,546	0.2%	12	4,937	0.2%	13	4,976	0.3%	62.5%	26.6%
San Jacinto College S Campus	9	5,017	0.2%	13	5,363	0.2%	10	5,706	0.2%	13	6,238	0.2%	6	6,632	0.1%	-33.3%	32.2%
South Texas Community College	641	6,857	9.3%	870	9,453	9.2%	1,047	10,364	10.1%	1,180	11,163	10.6%	1,308	12,443	10.5%	104.1%	81.5%
Tarrant Co Northeast Campus	65	9,398	0.7%	77	9,031	0.9%	75	9,208	0.8%	72	9,315	0.8%	70	10,035	0.7%	7.7%	6.8%
Tarrant Co Northwest Campus	107	4,007	2.7%	120	3,952	3.0%	131	4,120	3.2%	118	4,199	2.8%	119	4,648	2.6%	11.2%	16.0%
Tarrant Co South Campus	33	7,395	0.4%	32	7,100	0.5%	37	6,982	0.5%	34	7,062	0.5%	45	7,397	0.6%	36.4%	-0.8%
Tarrant Co Southeast Campus	17	5,892	0.3%	15	6,380	0.2%	22	3,254	0.3%	19	7,293	0.3%	13	7,797	0.2%	-23.5%	32.3%
Temple College	276	2,694	9.5%	319	3,139	10.2%	264	3,254	8.1%	387	3,381	11.4%	432	3,579	12.1%	56.5%	23.7%
Texarkana College	499	3,732	13.4%	485	3,629	13.4%	441	3,446	12.8%	457	3,394	13.5%	491	3,526	13.9%	-1.6%	-5.5%
Texas Southmost College	21	6,826	0.3%	22	6,710	0.3%	31	7,611	0.4%	31	7,245	0.4%	36	7,210	0.5%	71.4%	5.6%
Texas State T. C. Marshall	-	-	-	-	-	-	109	424	25.7%	116	511	22.7%	147	595	24.7%	18.7%	20.5%
Texas State T. C. Harlingen	326	3,189	10.2%	354	3,311	10.7%	330	3,342	9.9%	288	3,266	8.8%	387	3,842	10.1%	18.7%	-4.9%
Texas State T.C. Waco	1,106	4,279	25.8%	1,156	4,256	27.2%	1,079	3,814	28.3%	1,074	3,928	27.3%	1,091	4,068	26.8%	-1.4%	6.7%
Texas State T.C. West Texas	663	1,000	66.3%	747	1,157	64.6%	759	1,224	61.8%	977	1,563	62.5%	1,057	1,607	65.8%	59.4%	60.7%
Trinity Valley Comm College	2,001	4,379	45.7%	1,900	4,182	45.4%	1,828	4,102	44.6%	2,216	4,588	48.3%	2,096	4,604	45.5%	4.7%	5.1%
Tyler Junior College	2,019	8,156	24.8%	1,957	7,861	24.9%	1,839	8,339	26.6%	2,141	8,240	26.0%	2,281	8,451	27.0%	13.0%	3.6%
Victoria College, The	1,445	3,804	36.0%	1,453	3,732	38.9%	1,449	3,800	38.1%	1,578	4,021	39.2%	1,575	4,006	39.3%	9.0%	5.3%
Weatherford College	765	2,579	29.7%	692	2,553	27.1%	791	2,886	29.4%	826	2,751	30.0%	982	3,136	31.3%	28.4%	21.6%
Totals - CTCs in Non-Rural Co.	22,049	367,059	6.0%	22,174	365,606	6.1%	22,955	377,347	6.1%	24,793	387,260	6.4%	26,059	413,017	6.3%	18.2%	12.5%
TOTALS - All CTCs	51,917	422,099	12.3%	52,201	421,408	12.4%	53,851	435,323	12.4%	57,111	447,998	12.7%	60,352	478,313	12.6%	16.2%	13.3%

* Rural counties are the same ones identified by the House Select Committee on Rural Development, 2000

APPENDIX III

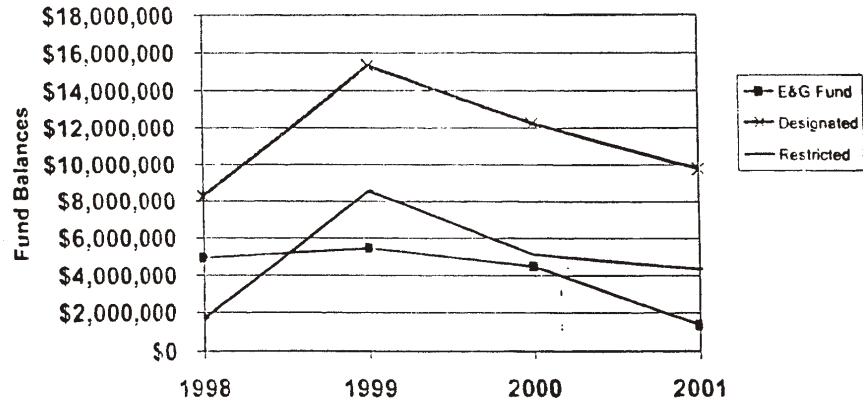
APPENDIX III-A

Lamar University-Beaumont
Fund Balance Trends



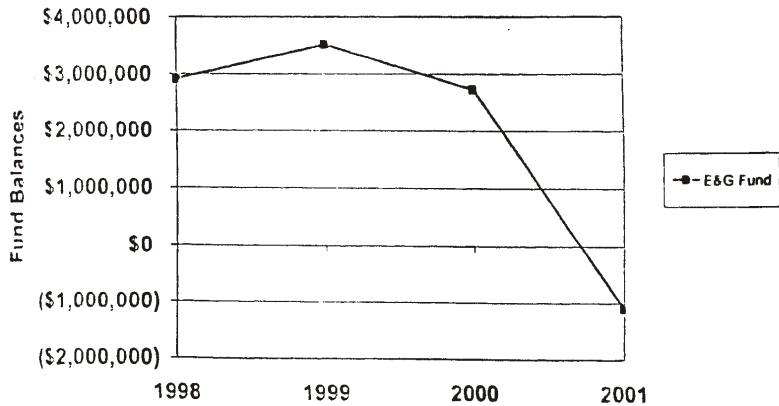
Decline of \$8.2 million in the fund balance for Educational and General Funds during FY 2001

University of Houston System Administration
Fund Balance Trends



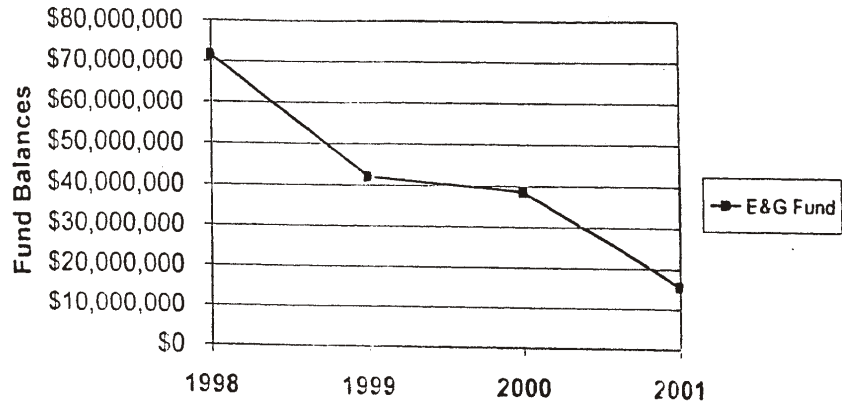
Decline in fund balances of Educational and General Funds, Designated Funds, and Restricted Funds over the past three fiscal years.

University of North Texas
Health Science Center at Fort Worth
Fund Balance Trends



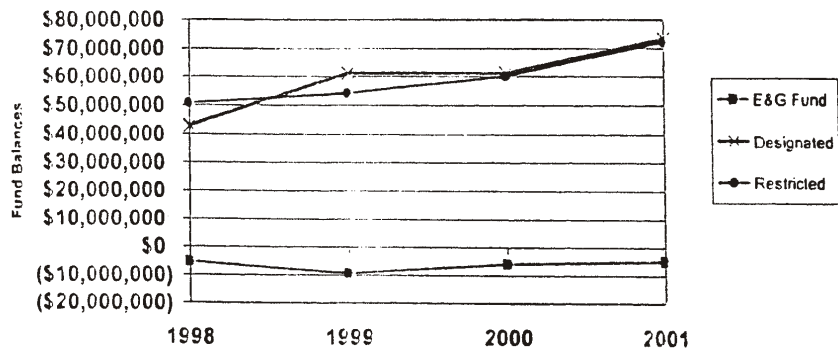
Decline of \$4.6 million in the fund balance for Educational and General Funds in the last two fiscal years.

The University of Texas Medical Branch at Galveston
Fund Balance Trends



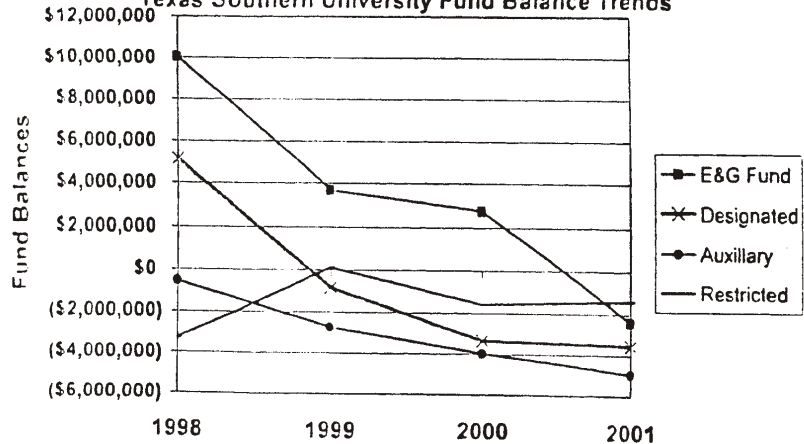
Decline of \$56 million in the fund balance for Educational and General Funds over the past four years.

The University of Texas Health Science Center at
San Antonio
Fund Balance Trends



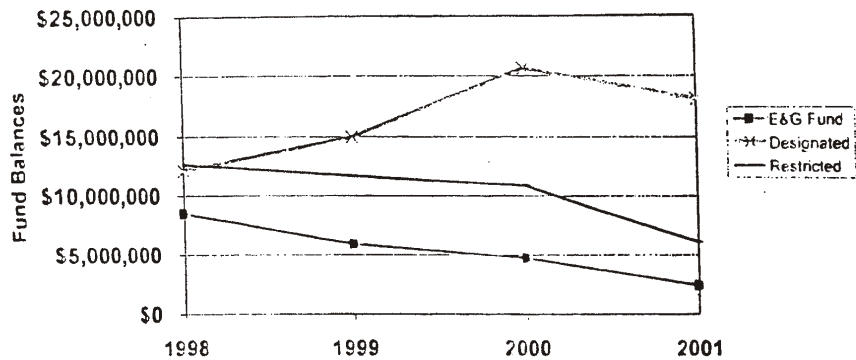
Deficit fund balance in Educational and General Funds at the end of each of the past four fiscal years. Note: The Health Science Center reports substantial increases in Designated and Restricted Fund balances over the past four fiscal years.

Texas Southern University Fund Balance Trends



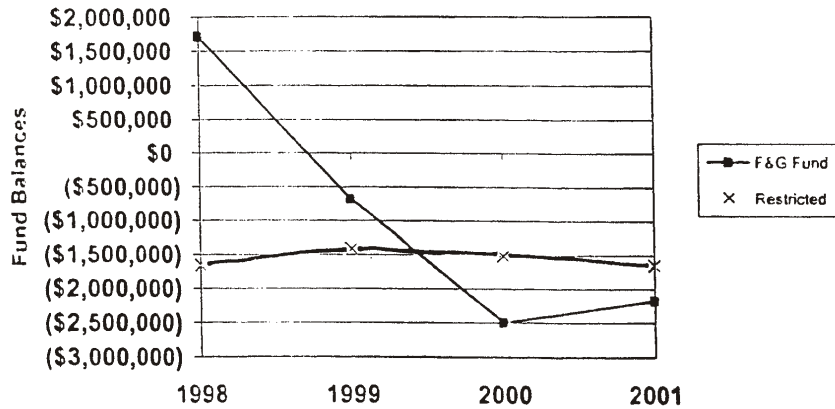
Deficit fund balances totaling \$12.3 million @ 8/31/01 in all four Current Funds. Declining trends in fund balances, ranging from \$4.4 million to \$12.4 million, in three of

Texas Agriculture Experiment Station Balance Trends



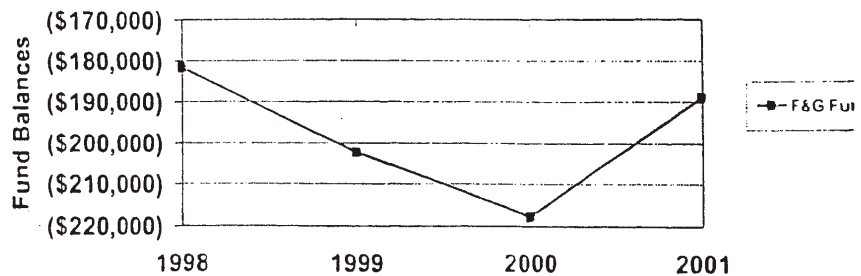
Decline in fund balances of Functional and General Funds and Restricted Funds over the past four fiscal years, offset in part by fund balance increases in Designated Funds.

Texas Cooperative Extension Fund Balance Trends



Deficit fund balances @ 8/31/01 totaling \$3.8 million in Functional and General Funds and Restricted Funds.

Texas Wildlife Damage Management Service Fund Balance Trends



Deficit fund balance of \$189,000 in Functional and General Funds @ 8/31/01.

APPENDIX IV

APPENDIX IV-A

A recent study sponsored by the American Chiropractic Association reviewed data for millions of Medicare beneficiaries and found:

- Beneficiaries who received Chiropractic care averaged fewer Medicare claims per capita than those who did not (33.4 claims versus 38.5 claims).
- Beneficiaries who received Chiropractic care had lower average Medicare payments for all Medicare services than those who did not (\$4,429 versus \$8,103).
- Beneficiaries who received Chiropractic care had lower average Medicare payments per claim than those who did not (\$133 versus \$210).
- Beneficiaries who received Chiropractic care had lower average costs for each type of claim during 1999 than those who did not.

(Muse & Associates, "Utilization, Cost, and Effects of Chiropractic Care on Medicare Program Costs," July 2001)

Legislative Budget Board

MEMORANDUM

TO: Senator Mike Jackson
FROM: Patrick Francis and Mirna Gonzalez
DATE: August 12, 2002
SUBJECT: Cost of making Texas Chiropractic College a public institution

You asked the Legislative Budget Board to estimate the cost of making Texas Chiropractic College a public institution.

While this analysis does not provide a specific estimate of the cost, the research we have done indicates that TCC may not have an operating margin that could absorb the potential cost increases related to becoming a public institution. The amount of state revenue necessary would depend on the specifics of the legislation. Our assumptions and findings are presented below.

The Texas Education Code does not automatically entitle Texas Chiropractic College (TCC) to state General Revenue funds once it becomes a public institution. This cost estimate assumes that TCC would not be eligible for formula funding and therefore would not receive such General Revenue. It assumes TCC would continue to charge its current tuition rates. This tuition revenue would be included in the General Appropriations Act and classified as General Revenue-Dedicated, Other Educational and General Income. TCC's clinic revenues would be appropriated and classified as Other Funds, Patient Income.

The addition of TCC employees to the state payroll would generate staff benefit costs, including health insurance and retirement. Because staff benefits are paid proportional by fund, 100% of these benefits would be paid from General Revenue-Dedicated funds. A significant issue is whether state employee benefits are more expensive than the benefits currently being paid by TCC.

The other significant issue is the cost to TCC to set-aside a percentage of tuition revenue for Texas Public Education Grants (TPEG) (Section 56.033, Education Code). State institutions of higher education must set-aside a percentage of tuition revenue for TPEG for student financial assistance. The percentage set-aside differs for resident and for non-resident tuition. Any portion of tuition revenue that TCC must set aside for student financial assistance would result in less tuition revenue being available for operating expenses. Tuition at TCC does not currently distinguish between resident and non-resident student. Therefore, it is unclear what percentage of tuition revenue would have to be set-aside.

Two additional issues are how to treat contract revenue TCC currently receives from the state and financial assistance.

1. TCC receives \$125,000 in General Revenue each year in contract funds via the Coordinating Board to instruct Texas residents (Rider 23, page III-59, General Appropriations Act, 2002-03 Biennium).
2. In fiscal year 2002, TCC students have received nearly \$675,000 in Tuition Equalization Grants (Section 61.221, Education Code). Tuition Equalization Grants are General Revenue funds that are used to assist students attending private institutions of higher education. TCC students would no longer be eligible for Tuition Equalization Grants. These funds would become available for additional students at other private institutions, or the legislature could reduce the TEG appropriation by \$675,000.

In 1997, then Representative Mike Jackson filed House Bill 621 to make Texas Chiropractic College a public institution. That fiscal note assumed no formula funding would be provided and their total budget as a public institution would be the same as their budget at the time. Because TCC revenues were expected to continue to exceed expenditures, including new expenditures related to TPEG and staff benefits, no fiscal impact to the state was anticipated.

It is not clear that TCC has an operating margin today that could absorb the potential cost increases related to TPEG and state benefits without reducing other expenses or otherwise increasing revenue. The critical factors are:

- From the Texas Chiropractic College Foundation's financial statements as of August 31, 2000 and August 31, 2001, the difference in revenues compared to expenditures decreased from \$391,212 in 2000 to \$132,559 in 2001.
- The average student headcount has remained flat over the last three years. The average semester credit hours declined 3.84% over the same period.
- The fiscal note for HB 621 assumed 10% of tuition revenue would be set-aside for TPEG. Applying 10% to the 2001 "Education and general revenues" would mean approximately \$620,000 would be set-aside from current available revenue.
- TCC has a two-year \$3.25 million loan which has a balloon payment due in 2004. They will either need to pay the balloon payment (approximately \$2.98 million) or refinance the loan.
- TCC officials say they have no outstanding lawsuits against the college.

cc: Lt. Governor Bill Ratliff
Senator Rodney Ellis
John Keel
John O'Brien
Anita Zinnecker

Speaker James E. "Pete" Laney
Representative Irma Rangel

ENDNOTES

APPENDIX IV-C

SURVEY OF INTEREST IN ESTABLISHING A PUBLIC CHIROPRACTIC COLLEGE

Institution/System Name	Respondent's Name	TCC Merger	Working Relationship with TCC
Texas A&M University	Ray M. Bowen, President	N	N
The Texas A&M University Health Science Center	Elvin E. Smith, Executive Vice President	N	N
Texas Tech University System	David Smith, M.D. Chancellor, Texas Tech University System	N	N
Texas Tech University Texas Tech University Health Sciences Center			
The University of Texas at Arlington	Dana Dunn, Vice President for Academic Affairs	N	N
The University of Texas at Dallas	Carlos Gonzalez Pena, UTD Advancement	N	N
The University of Texas Southwestern Medical Center at Dallas	Kern Wildenthal, M.D. President	N	N
The University of Texas Medical Branch at Galveston	Richard Moore, Vice President for Business and Administration	N	F
The University of Texas-San Antonio	Guy Bailey, Provost and Vice President for Academic Affairs	N	Y
The University of Texas Health Science Center at San Antonio	Francisco G. Cigarroa, M.D. President	N	N
The University of Texas Health Center at Tyler	Ronald Garvey, M.D., President	N	N
University of Houston System	Arthur K. Smith, Chancellor, University of Houston System President, University of Houston	N	N
University of Houston University of Houston-Clear Lake University of Houston-Downtown University of Houston-Victoria			
University of North Texas Health Science Center at Fort Worth	Ronald R. Blanck, President	N	N

TCC = Texas Chiropractic College
Y = Yes; N = No; F = Future Consideration

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 12. Green, Kelton, "Request for Additional Information on Deficit and Declining Fund Balances at Selected Universities and A&M Service Agencies," State Auditor's Office Report, March 27, 2002.
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