

Status of Texas Higher Education

Demographics

Racial and Ethnic Mix and Projections for the Future

For the first time in more than a century, Whites do not make up a majority of the Texas population. In 2003, White non-Hispanics comprised 49.5 percent of the Texas population. Hispanics, the fastest growing population in the state as well as the nation, comprise more than a third of the Texas population. Most of the growth in the next 40 years will continue to come from non-White groups. By 2040, Whites are projected to decrease to 32.2 percent of the Texas population and Hispanics are projected to increase to 52.6 percent, with the African-American proportion decreasing slightly to 9.5 percent.

	TEXAS 2003	NATION 2003
White, non-Hispanic	49.5%	67.8%
Hispanic	35.3%	13.8%
African-American	10.8%	12%
Asian-American	3.0%	4.1%
Other	1.3%	2.3%

Source: Census Bureau; Texas State Data Center and Office of the State Demographer

Age Distribution and Projections for the Future

By 2040, Texas is projected to have 2 million more children under 18 and 1 million more adults ages 18 to 24—the traditional college age population—than it had in 2000. It is further projected that 62 percent of children, and 59 percent of 18 to 24 year olds, will be Hispanic. Despite these increases, people age 24 and under will drop from 39 percent of the total population to 31 percent, whereas people age 65 and older will increase from 10 percent to 18 percent. Texas' future, including its economic prosperity, as well as the expertise needed to run business, government, and infrastructure, increasingly depends on the education of populations which historically have had lower incomes, higher rates of poverty, and less likelihood of attending and completing college than Whites.

POPULATION IN MILLIONS AND PERCENT TOTAL

	2000	2040 (projected)
Under 18	5.88m 28%	7.88m 22%
18 to 24	2.19m 11%	3.19m 9%
25 to 64	10.68m 51%	18.24m 51%
65 and older	2.07m 10%	6.44m 18%

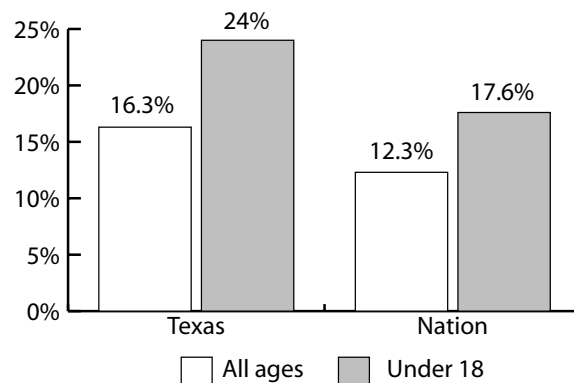
Source: Texas State Data Center and Office of the State Demographer

Poverty Rate

Poverty rates have risen in Texas and the U.S. each year in the new century. Some 16.3 percent of all Texans, and 24 percent of Texas children were living in poverty in 2002-2003*, versus 15 percent and 21 percent, respectively, in 2001. Nationwide, 12.3 percent of all individuals and 17.6 percent of children, live in poverty, up from 12 percent and 16 percent. In 2003, the poverty threshold was an annual income of \$18,660 or less for a family of four with two children, or \$9,523 for an individual.

*Two-year average

Poverty Rate, 2002-2003 (Two-year Average)



Source: Census Bureau

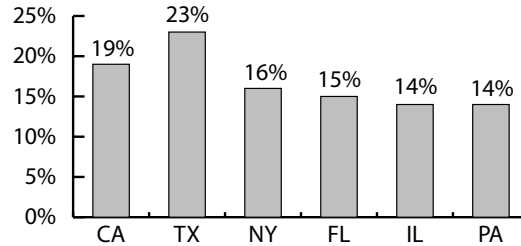
Educational Attainment

Educational Attainment

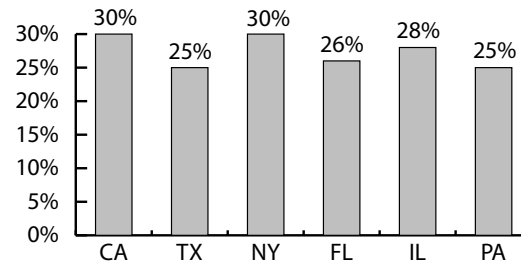
In 2003, 23 percent of people age 25 and older in Texas had not finished high school, the highest percent of any state in the nation. In the U.S., 15 percent of adults have not finished high school. In 2002, the figures were 22 percent and 16 percent, respectively, indicating that the gap in high school completion between Texas and the U.S. has widened. Texas also scores lower than the nation in the percentage of people who have completed a bachelor's degree, although the gap in college completion is not as wide as the gap in high school completion. About 25 percent of Texans age 25 and older have obtained a bachelor's degree or higher, compared to 27 percent in the U.S.

Source: Census Bureau

Population Age 25 and Over Who Have Not Finished High School (2003)



Population Age 25 and Over with Bachelor's Degree or Higher (2003)

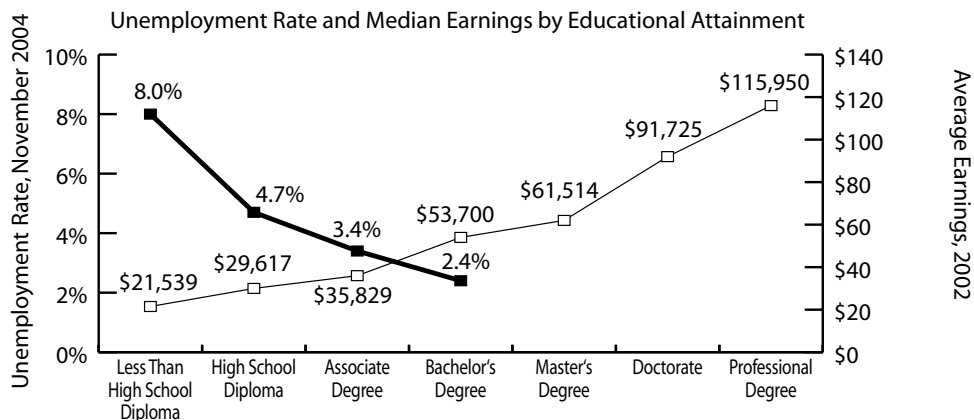


Earnings and Unemployment

Higher levels of education are closely associated with higher earnings. In 2002, average earnings for workers age 25 to 64 with less than a high school diploma were \$21,539, or \$8,100 less than the \$29,617 earned by workers with a high school diploma. A college degree has an even greater impact on earnings. Workers with a four-year degree earned \$53,700 in 2002, and those with a professional degree earned almost \$116,000. Over the course of their careers, college graduates earn about \$1,000,000 more than workers with only a high school diploma.

More evidence for the economic strength of education comes from the U.S. Bureau of Labor Statistics. In November 2004, unemployment rates stood at 8 percent for workers who had not completed high school, but at 4.7 percent for those who had, and at 2.4 percent for workers who had completed a Bachelor's degree.

Sources: The U.S. Census Bureau; the Bureau of Labor Statistics [unemployment rate for Master's Degree and higher unavailable]

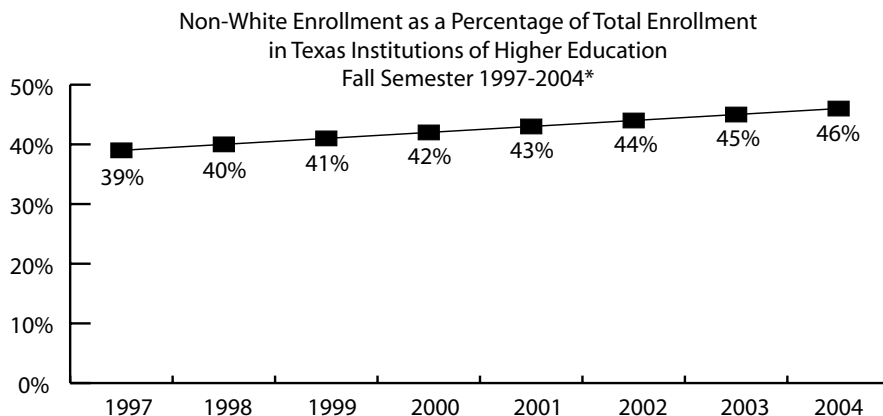
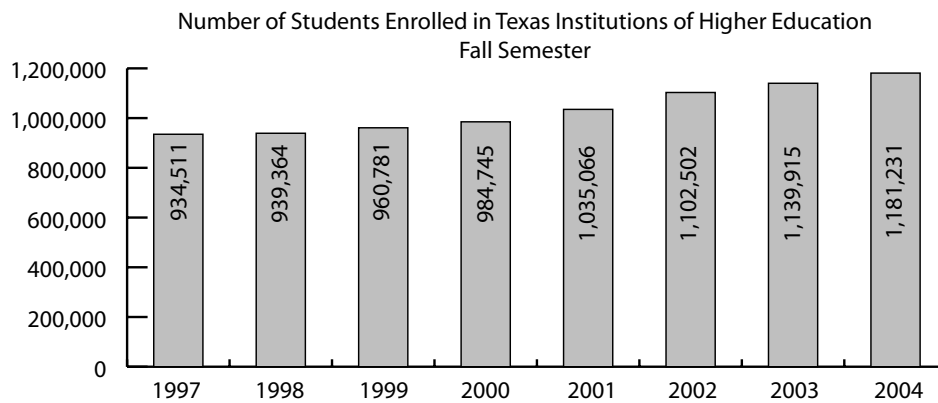


Enrollment

Enrollment Increase

Enrollment in Texas colleges and universities is increasing. Preliminary figures show total enrollment in the fall of 2004 at 1,181,000*, an increase of almost 200,000 since 2000, equivalent to the entire student population of the state's five largest public universities—the University of Texas at Austin, Texas A&M University, the University of Houston, the University of North Texas, and Texas Tech University—combined. Non-White enrollment as a percentage of total enrollment has also increased, from 39 percent in 1997 to 46 percent in 2004.

Enrollment had been increasing at a higher rate each year for some time, but in 2003 the rate growth slowed. Enrollment increased 5 percent in 2001, and 6.5 percent in 2002, but in 2003 the rate of growth fell back to 3.4 percent. Enrollment rose 3.6 percent in 2004. Despite the rising numbers of students, enrollment as a proportion of population actually falls behind the national average and behind other large states. According to the U.S. Census Bureau, 8 percent of Texans age 18 and over were enrolled in higher education in 2000, compared to 10.4 percent in California and 8.4 percent nationally.



*Excluding proprietary schools

Source: Texas Higher Education Coordinating Board; U.S. Census Bureau

College Costs

Average Four-Year Public School Costs

On average, it costs more to attend a four-year public university in Texas than in the rest of the nation, and the difference in costs is widening. When weighted for enrollment*, two semesters of an undergraduate education at a Texas public university — which in the 2002-2003 Academic Year (AY) cost \$24 more than the national average, now cost \$522 more, or \$15,766 for AY 2004-2005. While resident tuition and fees, at \$4,899, cost less than in the U.S., room, board, and transportation combined, at \$8,057, cost more. In fact, the primary expense facing undergraduates as they forego full-time employment to pursue their studies is food and housing, which make up 41 percent of the student budget. These costs are not discretionary: students must eat, and unless they live with parents or other relatives—and four-fifths of U.S. public university students do not—then they must pay rent. With transportation making up another 10 percent of costs, these basic expenses—food, housing, and transportation—comprise 51 percent of the student budget in Texas.

2004–2005 AVERAGE FOUR-YEAR PUBLIC SCHOOL COSTS
(Weighted for Enrollment)

	TEXAS	NATION
*Tuition and fees (resident)	\$ 4,899	\$ 5,132
Books and supplies	902	853
Room and board	6,486	6,177
Transportation	1,571	1,109
Other expenses	1,908	1,943
Total expenses	\$15,766	\$15,214

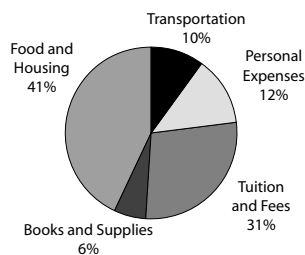
As with the rest of the nation, costs in Texas are rising. From AY 2002-2003 to 2003-2004, tuition and fees rose by \$724 and food, housing, and transportation rose by \$314, with total costs rising by \$1,209. Tuition and fees increased both in the fall of AY 2003-2004 and, due to deregulation by the Legislature, again in the spring. So far for AY 2004-2005, tuition and fees as well as total costs have risen less than in the previous year, though food, housing, and transportation have risen more. Tuition and fees for AY 2004-2005 have risen \$557, food, housing, and transportation have risen \$359, and total costs have risen \$1,036. It is not known whether Texas tuition and fees will rise in the spring semester of the current Academic Year as they did in the spring of the previous AY.

The \$15,766 estimate represents the average “sticker price” of a public university. What Texas students actually pay depends on a number of factors, including the financial aid they receive and how frugally they choose to live.

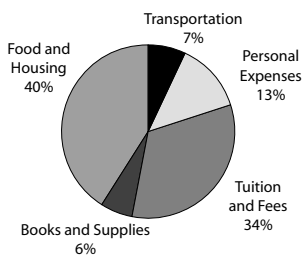
*An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by total enrollment, such that schools with higher enrollments are given greater weight. Nationally, the cost of tuition, fees, books, and supplies is weighted by full-time undergraduate enrollment and remaining costs are weighted by the number of undergraduates living off-campus. For Texas, all costs are weighted by total enrollment because 2004 data on the number of full-time undergraduates and the number of undergraduates living off-campus are not available.

Sources: The College Board; Texas Higher Education Coordinating Board; U.S. Department of Education

Percent of Total Cost for Texas Schools
2004–2005



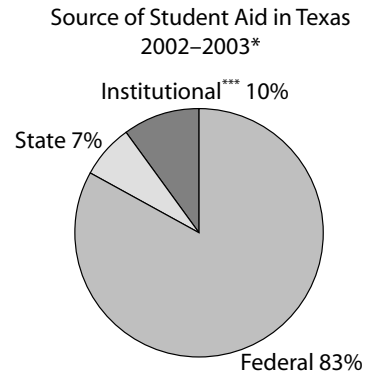
Percent of Total Cost for National Schools
2004–2005



Financial Aid

Source of Student Aid, 2002–2003

Most higher education students depend on financial aid in order to go to school. In Award Year 2002-2003*, financial aid** for Texas students totaled \$4.3 billion dollars, 83 percent of which came from the federal government, 7 percent from the state, and 10 percent from institutions***.



* All aid shown is for Award Year 2002-2003 with the exception of private institutional aid which is for 2001-2002. Data on private institutional aid for 2002-2003 are not available.

** Excludes exemptions, waivers, and loan repayments.

*** Includes the Texas Public Educational Grant (TPEG) reported by the Texas Higher Education Coordinating Board (THECB) in the Bentsen Report, as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT).

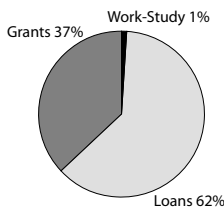
Type of Student Aid, 2002-2003

Texas students receive a smaller percentage of aid in grants than do students in the nation as a whole. In Award Year 2002-2003*, 37 percent of aid in Texas came from grants** and 62 percent from loans, compared to 42 percent and 57 percent, respectively, nationwide. The largest loan program in the U.S. is the Federal Family Education Loan Program, or FFELP, and the largest need-based grant program is the federal Pell Grant.

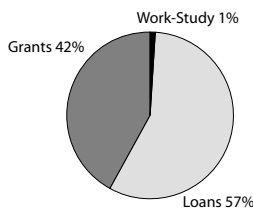
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Type of Student Aid in Texas, 2002-2003*



Type of Student Aid in the U.S., 2002-2003



Sources: U.S. Department of Education; TG; THECB; The College Board.

FFELP LOAN VOLUME (GROSS IN MILLIONS)

	TG	NATION
FY 2003	\$2,684	\$38,864
FY2002	2,131	32,749
FY2001	1,808	28,135

NUMBER OF LOANS (GROSS IN THOUSANDS)

	TG	NATION
FY 2003	684	9,171
FY2002	554	7,921
FY2001	476	6,912

AVERAGE FFELP AMOUNT

	TG	NATION
FY 2003	\$3,924	\$4,238
FY2002	3,845	4,134
FY2001	3,794	4,071

PELL GRANTS BY SECTOR, AY 2002-2003

	TEXAS	NATION
Public	75%	68%
Private	9%	17%
Proprietary	16%	15%

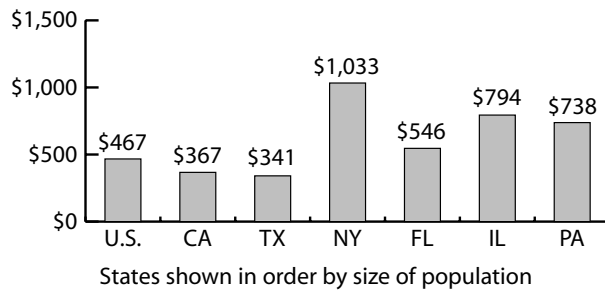
State Grant Aid

State Grant Aid Per Student

In AY 2002–2003, Texas appropriated \$341 in state grant aid* per full-time equivalent undergraduate student, or \$1.26 per day for the academic year. This amounted to about three-fourths of the national average of \$467. Texas state grant aid increased by about \$43 per student between AY 2001-2002 and 2002-2003, but during that same period Texas higher education costs rose—by \$318 at public two-years colleges, \$831 at public four-year universities, and \$3,031 at private four-year universities—and Texas median income declined by \$1,595. Despite the increase in aid, Texas continues to rank last among the six largest states in the amount of state grant aid per student.

Source: National Association of State Student Grant and Aid Programs (NASSGAP); THECB; U.S. Census Bureau

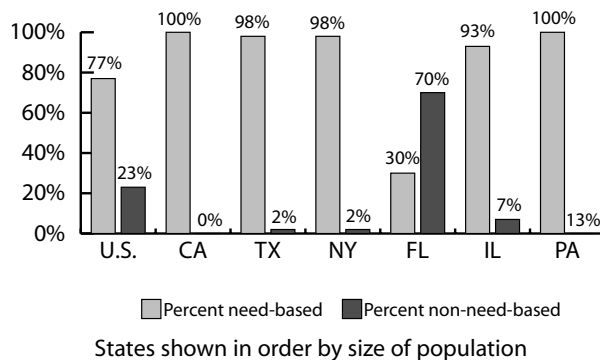
State Grant Aid per Full-Time Equivalent Undergraduate (Award Year 2002-2003)



Need-Based State Grants

Student grant aid may be based on financial need, academic merit, a combination of the two, or on other factors. Nationally, about 77 percent of all undergraduate state grant aid* is based on financial need. All but one of the six largest states appropriate an even higher percentage of their state grant aid based on need: in Illinois, 93 percent of state grant aid is based on need, and in California, Texas, New York, and Pennsylvania, all or almost all state grant aid is based on need. Florida is the only one of the six largest states which appropriates less money for need-based aid than it appropriates for aid that is not based on financial need.

Total State Grant Aid for Undergraduates: Need-based vs. Non-need-based (Award Year 2002-2003)



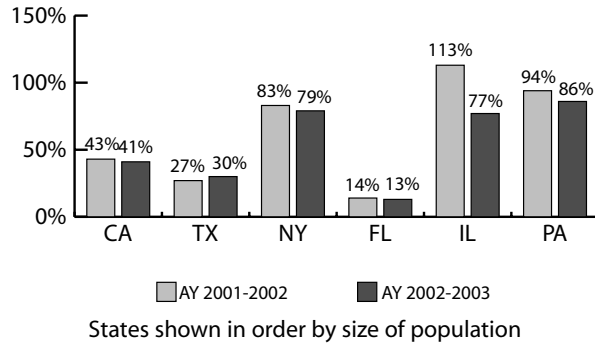
*State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG). Institutional grant aid comes from the school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting. In Award Year 2002-2003, TPEG was erroneously reported to the National Association of State Student Grant and Aid Programs (NASSGAP), which does not report institutional aid and has been subtracted from NASSGAP's state grant aid data for Texas in order to be consistent with other states.

Source: National Association of State Student Grant and Aid Programs (NASSGAP)

State Grant Aid for Needy Students as a Percent of the Federal Pell Grant

Among the six largest states, Texas was the only one in which the percent of need-based state aid* allocated as a percent of the Pell Grant rose in AY 2002-2003. California, Florida, Illinois, New York, and Pennsylvania all experienced a decline. Nevertheless, Texas students continue to come up short in the percentage of need-based state aid allocated as a percent of the federal Pell Grant in comparison to students in other large states. For every \$1.00 that needy Texas students received in Pell aid in 2002-2003, they received 30 cents in state grant aid, up from 27 cents the year before. By contrast, needy students in Illinois received 77 cents in state grant aid for each \$1.00 they received in Pell, needy students in New York received 79 cents, and needy students in Pennsylvania received 86 cents. Of the six largest states, only Florida allocates less in need-based aid as a percent of the Pell than Texas.

State Grant Aid Targeted to the Low-Income Students as a Percent of Federal Pell Grant Aid to Low-Income Students

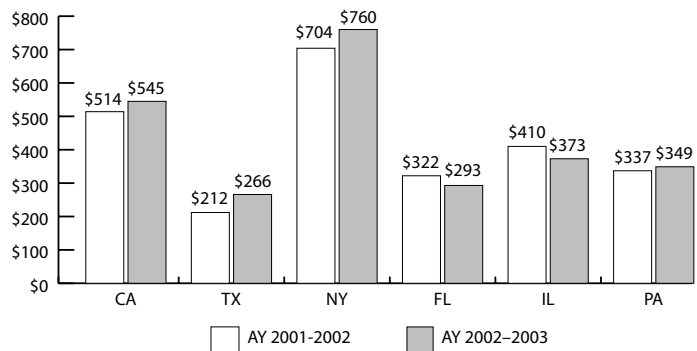


Sources: NASSGAP; U.S. Department of Education

Total State Grant Aid in Texas

Texas state grant aid has increased substantially since the last decade, primarily as a result of establishment of the TEXAS (Toward EXcellence Access, & Success) Grant program in 1999. In 1996-1997, Texas spent \$48 million in grants, ranking Texas last among the six largest states. By AY 2002-2003, the amount of money that Texas allocated in grants had risen to \$265.5* million. But even with this increase, Texas continues to rank last among the six largest states, spending about half of what is spent in California, and a third of what is spent by New York. Meanwhile, funding for the TEXAS Grant, which is now the largest state grant program in Texas, has remained flat. Despite an increase in both need and enrollment, the amount appropriated for TEXAS Grants in AY 2004-2005 was essentially the same as two years earlier.

Total State Grant Aid, in Millions of Dollar



*State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG). Institutional grant aid comes from the school's own revenue sources, such as tuition, fees, and returns on investments, and is often viewed as a form of tuition discounting. In Award Year 2002-2003, TPEG was erroneously reported to the National Association of State Student Grant and Aid Programs (NASSGAP), which does not report institutional aid and has been subtracted from NASSGAP's state grant aid data for Texas in order to be consistent with other states.

Source: NASSGAP

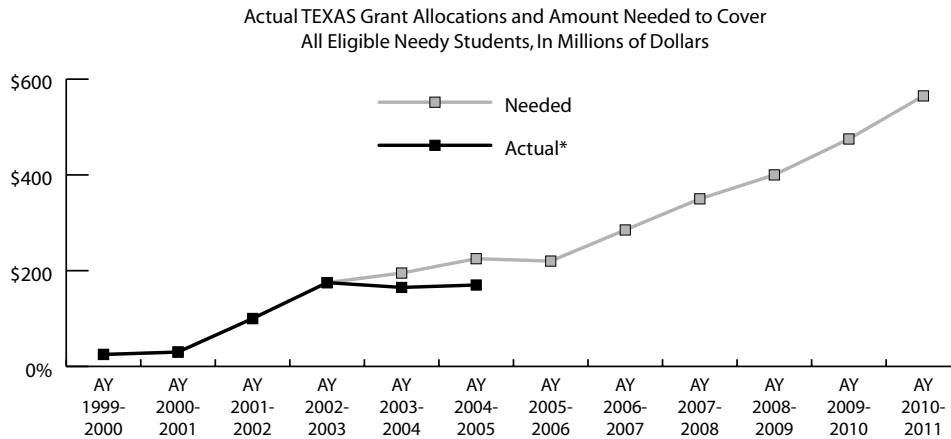
TEXAS Grant

The Texas Legislature created the TEXAS (Toward EXcellence Access & Success) Grant in 1999 to help needy students pay tuition and fees comparable to what one would spend at a typical public four-year university in Texas. To qualify, students must graduate from high school with a Recommended* diploma rather than the minimum and enroll in higher education in Texas within 16 months. Initially, only 15 percent of high school graduates had taken the courses to qualify for the grant. With greater public awareness, and a 2001 law mandating the Recommended diploma as the default for entering high school freshmen beginning in 2004, the percent of students graduating with a Recommended diploma increased to 64 percent in 2003. However, state funding has remained flat while the average grant amount rose since (1) it is pegged to average public university tuition and fees, which have risen sharply since the program began, and (2) the number of eligible students has exceeded expectations. Over 68,000 new and returning** students received a TEXAS Grant in 2002-2003, but only 56,000 will get a grant in 2004-2005, while 31,000 needy students—over one-third of those eligible—will not receive a grant. As tuition and fees increase and more students graduate with the college prep curriculum, the amount needed to fully fund TEXAS Grants will increase to \$542 million in AY 2010-2011 according to the Texas Higher Education Coordinating Board.

*The Recommended curriculum better prepares students by requiring one additional credit each in science and social studies and two in foreign language.

**Recipients may continue to receive the TEXAS Grant if they maintain a college GPA of 2.5.

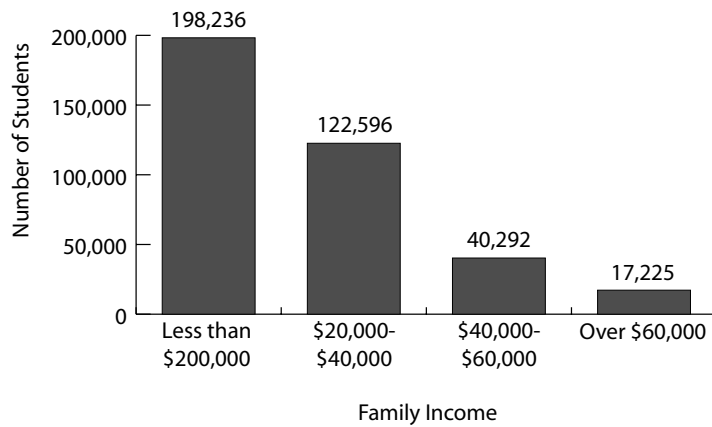
Source: THECB; TEA; Texas HB 713 (76th Legislature) and HB 1144 (77th Legislature)



Family Income and Unmet Need

A student's need is equal to total cost minus his or her Expected Family Contribution (EFC), which is determined through a federal formula that takes into account family income and size. Of AY 2002-2003 Texas aid recipients, 78 percent received aid only to meet the difference between cost and EFC and the rest borrowed at least in part to replace EFC. The larger and needier of the two groups, students receiving aid only to meet costs, consisted of 378,349 students, over four-fifths of whom had a family income under \$40,000. The average EFC of these students was \$1,493 and the average unmet need—the costs not covered by family income or aid, including both grants and loans—was \$4,645, or about a third of the cost of attending a public four-year university in Texas in AY 2002-2003.

Number of AY 2002-2003 Aid Recipients in Texas by Family Income
(Excludes Students Who Received Aid in Part to Replace Family Contribution)



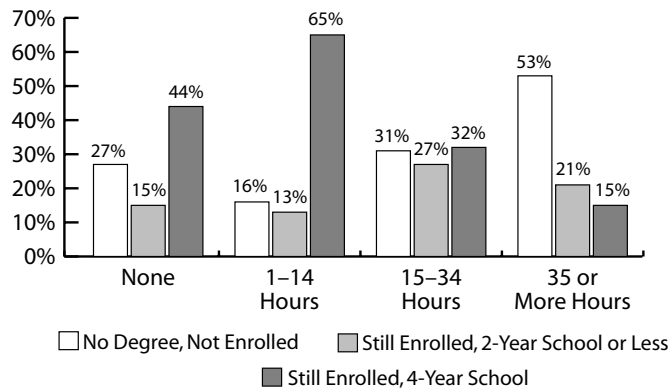
Source: THECB

Unmet Need, Work, and Student Success

Work and Persistence

Most students work while in school (80 percent of U.S. undergraduates work, and 39 percent work full-time), in part to compensate for unmet need. "Unmet need" is defined as the cost to the student after the expected family contribution and all financial aid—including both grants and loans—have been taken into account. In 2002-2003, unmet need for students who only received aid to meet costs*, which represented 78 percent of all aid recipients in Texas, averaged \$4,645, nationally, 41 percent of undergraduates worked part-time in 1999-2000 and 39 percent worked full-time, with an average of 32 hours worked per week among those who worked.

Status in 1998 of Freshmen Who Entered College in 1995, by Hours Worked per Week While in School (Students Who Obtained an Associate's Degree Not Included)



While working can have benefits, too much work can negatively affect persistence and academic success. A study on the effect of student financial decisions on student success revealed that while two-thirds of freshmen who entered college in 1995 were still enrolled in 1998, fewer than half of those who worked full-time were still enrolled. In fact, students who work modest hours are the most likely to be on their way to earning a 4-year degree, while students who work full-time are the least likely: 64 percent of incoming 1995 freshmen who worked 1-14 hours per week were still enrolled in a four-year school in 1998, versus just 15 percent of those who worked 35 hours or more.

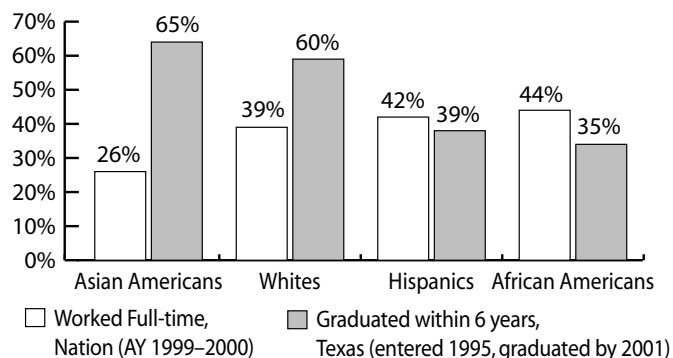
Sources: American Council on Education; National Center for Education Statistics, U.S. Department of Education; Texas Higher Education Coordinating Board

* Excludes students who borrowed at least in part to replace family contribution

Work and Completion

Of the major ethnic groups, African Americans are the most likely to work full-time while in college, followed by Hispanics, Whites, and Asian-Americans. Although other factors affect success as well, the graduation rate at Texas public universities is a virtual mirror image of these figures, but in reverse, with African-Americans and Hispanics the least likely to graduate within six years, and Whites and Asian-Americans the most likely.

Work and Completion by Ethnicity



Sources: National Center for Education Statistics, U.S. Department of Education; Texas Higher Education Coordinating Board