

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.

	POPULATION IN 2003	
	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.

	TEXAS POPULATION PROJECTIONS	
	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%

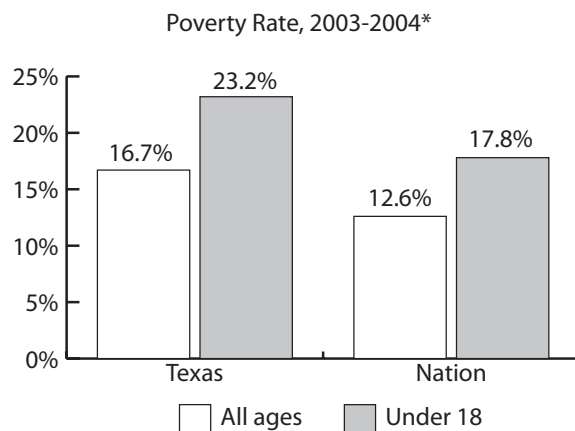
Source: Texas State Data Center and Office of the State Demographer

Poverty Rate

Poverty rates have risen in Texas and the U.S. each year in the new century. Some 16.7 percent of all Texans, and 23.2 percent of Texas children were living in poverty in 2003-2004*, versus 15.3 percent and 22 percent, respectively, in 2001-2002. Nationwide, 12.6 percent of all individuals and 17.8 percent of children, live in poverty, up from 12 percent and 16 percent. In 2004, the poverty threshold was an annual income of \$19,157 or less for a family of four with two children, or \$9,827 for an individual.

*Two-year average

Source: Census Bureau



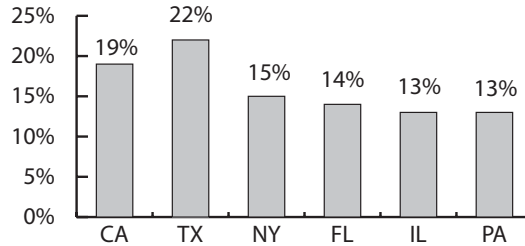
Educational Attainment

Educational Attainment

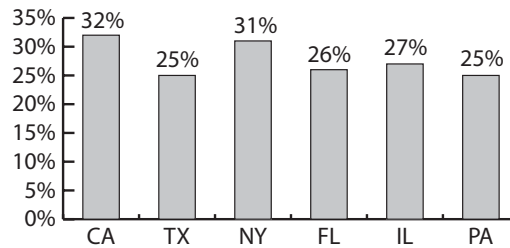
In 2004, 22 percent of people age 25 and older in Texas had not finished high school, the highest percent of any state in the nation. In the U.S., 15 percent of adults have not finished high school. In 2002, the figures were 22 percent and 16 percent, respectively, indicating that the gap in high school 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 28 percent in the U.S.

Source: Census Bureau

Population Age 25 and Over Who Have Not Finished High School (2004)



Population Age 25 and Over with Bachelor's Degree or Higher (2004)

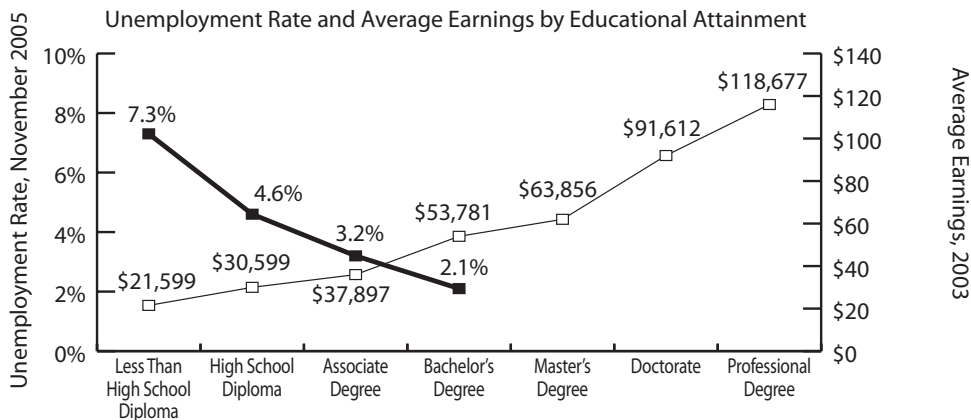


Earnings and Unemployment

Higher levels of education are closely associated with higher earnings. In 2003, average earnings for workers age 25 to 64 with less than a high school diploma were \$21,599, or \$9,000 less than the \$30,599 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 \$53,781 in 2003, and those with a professional degree earned almost \$118,000. 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 2005, unemployment rates stood at 7.3 percent for workers who had not completed high school, but at 4.6 percent for those who had, and at 2.1 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]

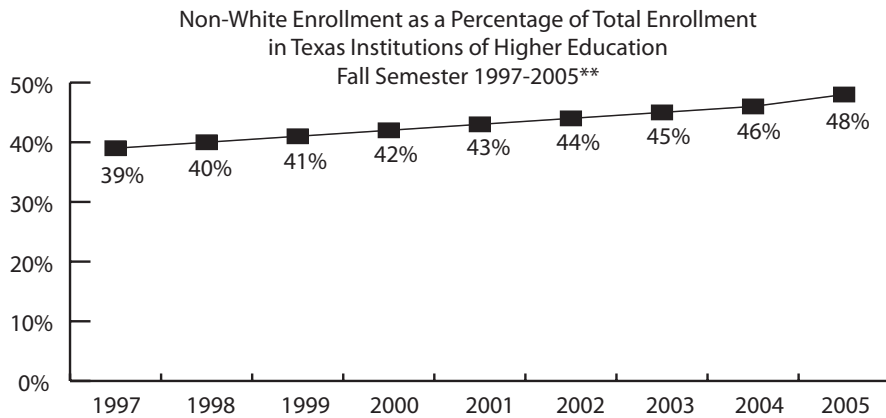
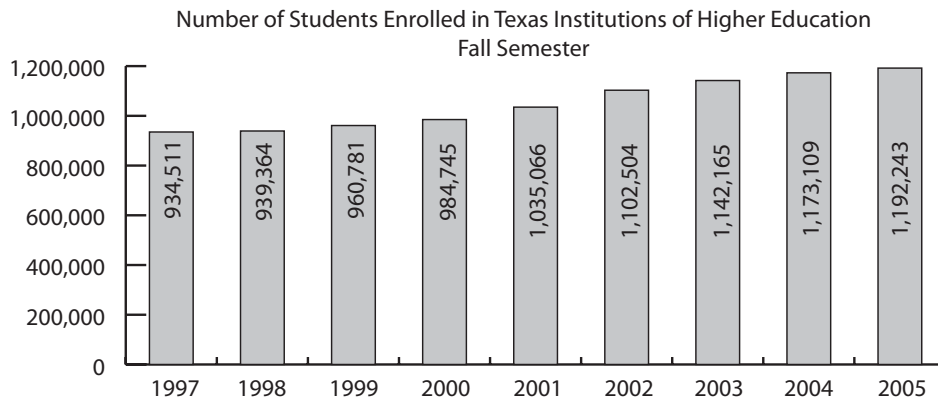


Enrollment

Enrollment Increase

Enrollment in Texas colleges and universities is increasing. Preliminary figures show total enrollment in the fall of 2005 at 1,192,000*, an increase of over 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 48 percent in 2005, making up nearly half of total enrollment.

Enrollment had been increasing at a higher rate each year for some time, but in 2003 the rate of 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 only 1.6 percent in 2005. 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



**1997-2001: percent non-White enrollment at public institutions only (private not available); percent non-White enrollment at all institutions

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

College Costs

Average Four-Year Public School Costs

Although tuition and fees for Texas four-year public universities remain lower than the nation, on average, total costs to attend school in Texas exceed national costs. 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 costs \$522 more, or \$16,677 for AY 2005-2006. Texas books and supplies, room and board, transportation, and personal expenses all cost more than their national counterparts. Basic expenses such as room and board and transportation, half of the budget for Texas students, cost \$682 more than the nation. These costs are not discretionary: students must eat, and unless they live with parents or other relatives—and three-fourths of Texas public university students do not—they must pay rent.

AY 2005–2006 AVERAGE FOUR-YEAR PUBLIC UNIVERSITY COSTS
(Weighted for Enrollment) (Cost/% of total)

	TEXAS	NATION
*Tuition and fees (resident)	\$ 5,451/33%	\$ 5,491/34%
Books and supplies	937/6%	894/6%
Room and board	6,692/40%	6,476/41%
Transportation	1,634/10%	1,168/7%
Other expenses	1,963/12%	1,962/12%
Total expenses	\$16,677/100%	\$15,991/100%

As with the rest of the nation, costs in Texas are rising. From AY 2003-2004 to 2004-2005, tuition and fees rose by \$557 and food, housing, and transportation rose by \$361, with total costs rising by \$1,039. So far for AY 2005-2006, all of these costs have risen by less than a year earlier. Tuition and fees for AY 2005-2006 have risen \$552, food, housing, and transportation have risen \$267, and total costs have risen \$908.

The \$16,677 estimate represents the average “sticker price” of a public university. The “sticker price” is the starting point for determining financial aid: from the sticker price, the student’s expected family contribution (EFC)** is subtracted to arrive at the student’s need. Once need is determined, a financial aid package, consisting primarily of grants and loans, can be developed. Most state grants*** in Texas are based on need, with only 2 percent not based on need in AY 2002-2003. However, Texas continues to rank last among the six largest states in the amount of total state grant aid given out, with Texas only appropriating about \$248 per full-time equivalent undergraduate student in AY 2002-2003. 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 undergraduate 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 undergraduate enrollment because on the number of undergraduates living off-campus are not available.

**EFC is determined through a federal formula that takes into account family income and size, as well as the number of children in college. The average amount that families actually contribute to educational expenses is unknown.

***State grant aid does not include institutional aid, such as the Texas Public Education Grant (TPEG).

****Percentages may not add to 100 percent due to rounding.

Sources: The College Board; Texas Higher Education Coordinating Board; NPSAS 2004; NASSGAP

Financial Aid

Source of Student Aid, 2003–2004

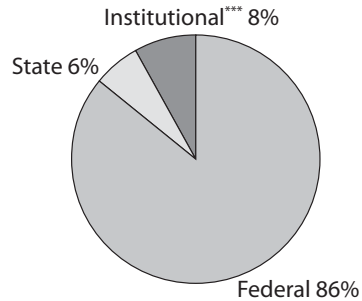
Most higher education students depend on financial aid in order to go to school. In Award Year 2003–2004*, financial aid** for Texas students totaled \$5.1 billion dollars, 86 percent of which came from the federal government, 6 percent from the state, and 8 percent from institutions***.

* All aid shown is for Award Year 2003–2004, with the exception of private institutional aid, which is for 2002–2003. Data on private institutional aid for 2003–2004 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).

Source of Student Aid in Texas 2003–2004*



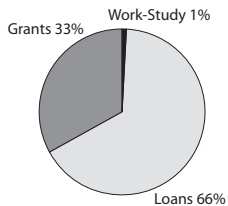
Type of Student Aid, 2003–2004

Texas students receive a smaller percentage of aid in grants than do students in the nation as a whole. In Award Year 2003–2004*, 33 percent of aid in Texas came from grants** and 66 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.

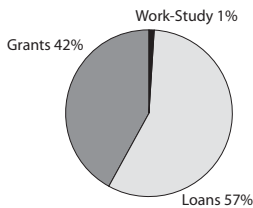
* All aid shown for Texas is for Award Year 2003–2004, with the exception of private institutional aid, which is for 2002–2003. Data on private institutional aid for 2003–2004 are not available.

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Type of Student Aid in Texas, 2003–2004*



Type of Student Aid in the U.S., 2003–2004



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

FFELP LOAN VOLUME (GROSS IN MILLIONS)

	TEXAS	NATION
FY 2004	\$3,335	\$44,986
FY2003	2,855	38,652
FY2002	2,330	32,561

NUMBER OF LOANS (GROSS IN THOUSANDS)

	TEXAS	NATION
FY 2004	819	10,373
FY2003	712	9,145
FY2002	601	7,903

AVERAGE FFELP AMOUNT

	TEXAS	NATION
FY 2004	\$4,070	\$4,337
FY2003	4,012	4,227
FY2002	3,876	4,120

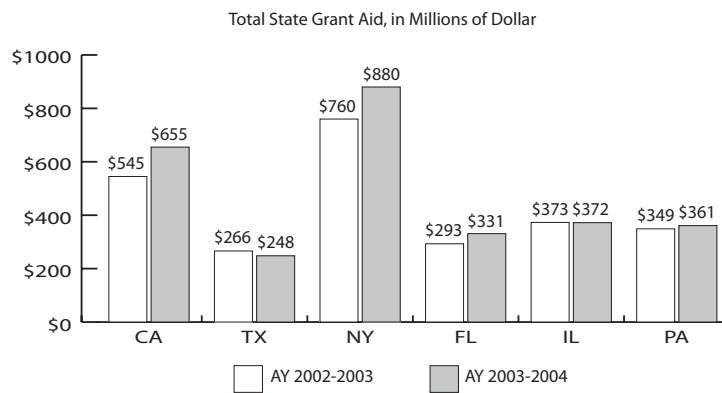
PELL GRANTS BY SECTOR, AY 2003–2004

	TEXAS	NATION
Public	78%	67%
Private	7%	17%
Proprietary	15%	16%

State Grant Aid

State Grant Aid in Texas Decreases

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 2003-2004, the amount of money that Texas allocated in grants had risen to \$248* million. But even with this increase, Texas continues to rank last, spending about half of what is spent by 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 2003-2004 was essentially the same as the previous year.



States shown in order by size of population

*State grant aid does not include institutional aid, such as the Texas Public Education Grant (TPEG).

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

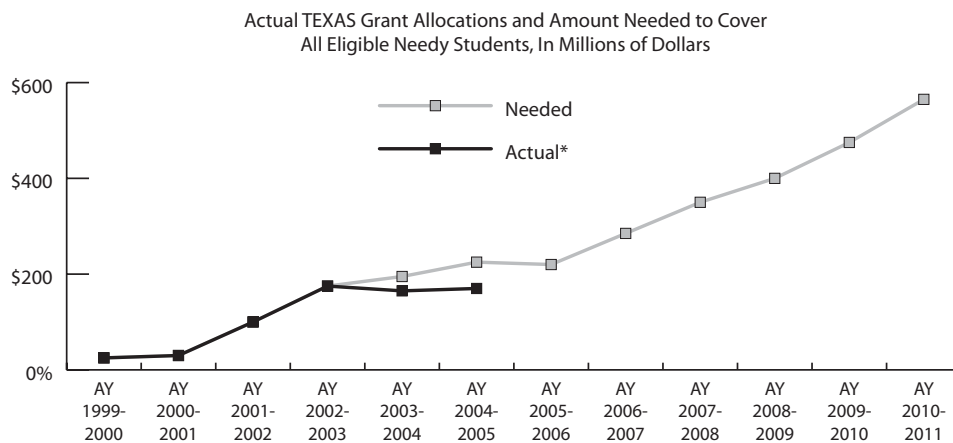
TEXAS Grant

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)

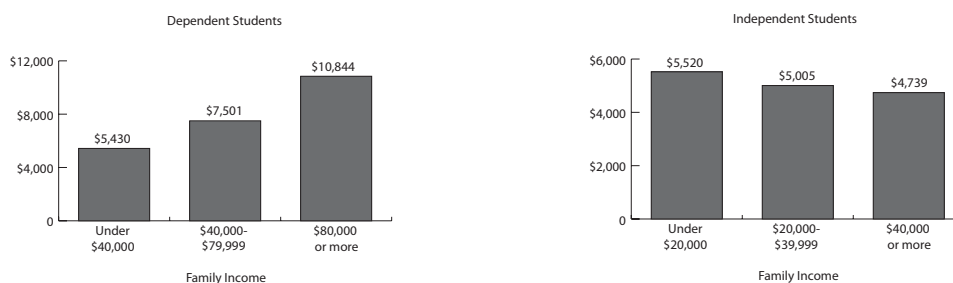


Net Price, Unmet Need, and Work

Net Price of Attendance for Low-Income Undergraduates in Texas

The net price of attendance for a student at an institution of higher education is defined as the student's total cost of attendance* minus the total grants and scholarships he or she receives. In the 2003-2004 Award Year (AY), the median*** net price**** of attendance for low-income students was \$5,430 for dependent students whose parents make under \$40,000 and \$5,520 for independent students making under \$20,000**. The price of attendance for dependent students rose with parental income, perhaps reflecting the fact that students from higher-income families are more likely to attend high-cost institutions than students whose parents make less money. For independent undergraduates, however, net price was actually higher for low-income students than for high-income students.

Median Net Price for Undergraduates in Texas by Parents' Income:
Total Cost of Attendance* Minus All Grants (AY 2003-2004)



*Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for 9 months. Full-time students in the National Postsecondary Student Aid Study (NPSAS) are those who took 12 or more credit hours in the fall and spring semesters. Costs were adjusted for those who took fewer than 12 hours.

**The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria but who receive no financial support from their parents may also be considered independent. In Texas, 49 percent of undergraduates are dependent. Independent students' income includes spouse's, if any.

***A median is the point at which 50 percent of students had a higher net price and 50 percent had lower. A median represents a typical student better than an average because students who had a high net price skew the average, making it a less reliable gauge than the median.

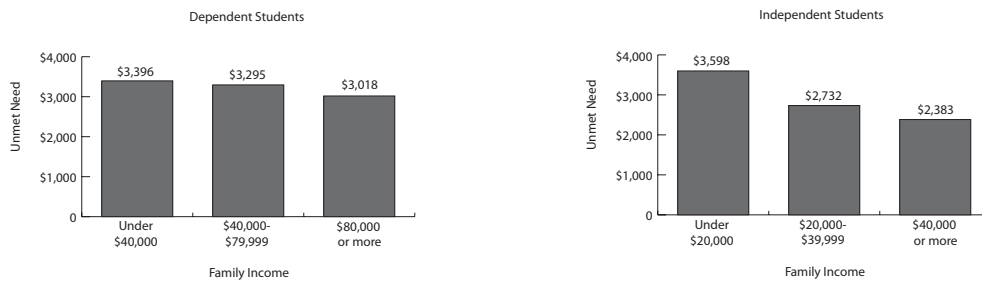
****The median net price (i.e. cost of attendance minus grants and scholarships) is not equivalent to the Texas Higher Education Coordinating Board's (THECB's) weighted cost of attendance because THECB costs have been weighted for enrollment and are based on 15 credit hours per semester.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004", (<http://www.nces.ed.gov/das/>).

Unmet Need for Low-Income Undergraduates in Texas

Unmet need is defined as the student's total cost of attendance* minus his or her Expected Family Contribution and all financial aid, including both grants and loans. For dependent Texas undergraduates** whose parents make under \$40,000, median*** unmet need in the 2003-2004 Award Year (AY) was \$3,396. For independent undergraduates, unmet need among the lowest-income students was \$3,598.

Median Unmet Need for Undergraduates in Texas by Income: Total Cost of Attendance Minus Expected Family Contribution (EFC) and All Aid, Including Grants and Loans (AY 2003-2004)

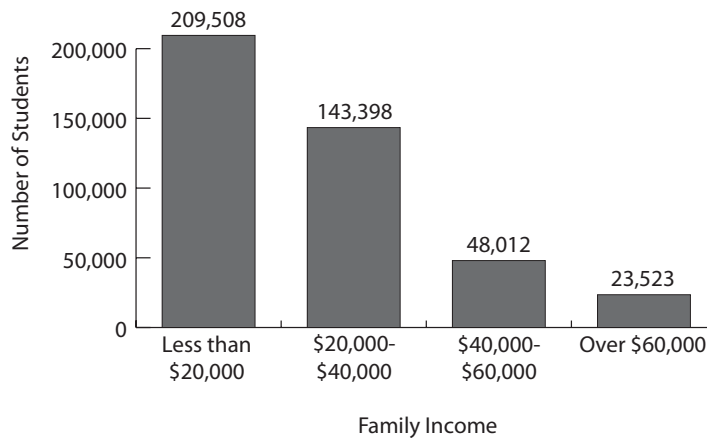


Sources: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study", (<http://www.nces.ed.gov/das/>).

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 2003-2004 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 424,441 students, 83 percent of whom had a family income under \$40,000. The average EFC of these students was \$1,453 and the average unmet need—the costs not covered by family income or aid, including both grants and loans—was \$5,189.

Number of AY 2003-2004 Aid Recipients in Texas by Family Income
(Excludes Students Who Received Aid in Part to Replace Expected Family Contribution)



Work and Attendance Intensity in Texas

While many students may consider work to be a logical method for financing a college education, too

much work can jeopardize attendance, persistence, and degree completion. Students who enroll

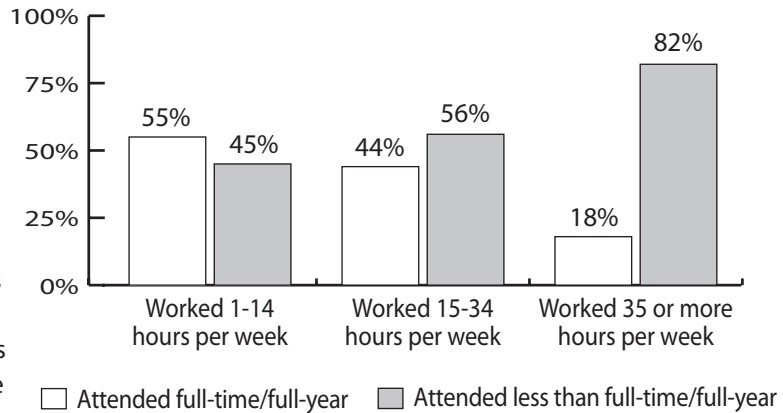
on a full-time basis and devote most of their time to school are more likely to complete a degree in a timely manner than students who go to school part-time. In Texas, 36 percent of undergraduates in AY 2003-2004 attended school full-time/full-year – that is they took 12 or more credit hours each semester for at least 9 months. Students who attend less than full-time/full-year either take a full course load but for less than nine months, or do not take a full course load. The students who are most likely to attend* full-time are those who work modest hours: 55 percent of Texas undergraduates who work less than 15 hours per week attend school full-time. By contrast, more than four-fifths of those who work full-time** attend school less than full-time.

*Data on students who attended for-profit institutions are not available.

**35 or more hours per week.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2004), (<http://www.nces.ed.gov/das/>).

Attendance Intensity of Undergraduates in Texas, by Hours Worked While Enrolled (AY 2003-2004)



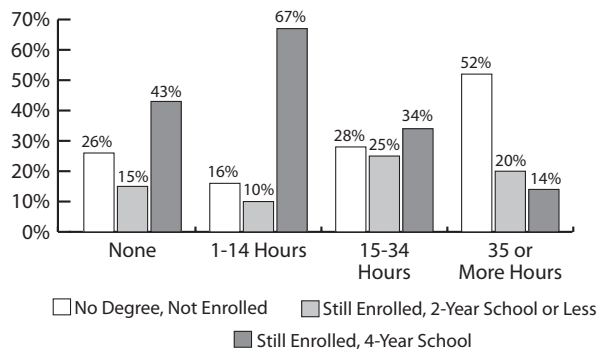
Work and Persistence

Most students work while in school. Nationally in AY 2003-2004, 78 percent of undergraduates worked, and 33 percent worked full-time*, with an average of 29.5 hours per week among those who worked.

In Texas in AY 2003-2004, 76 percent of undergraduates worked, and 35 percent worked full-time, with an average of 30.8 hours per week among those who worked.

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 stu-

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)



dents who work full-time are the least likely: 67 percent of incoming 1995 freshmen who worked 1–14 hours per week were still enrolled in a four-year school in 1998, versus just 14 percent of those who worked 35 hours or more.

* 35 or more hours per week.

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

Work and Completion

Most undergraduates take more than four years to complete a bachelor's degree* for various reasons including changing majors, transferring to a different school, and taking extra courses not needed to graduate. For students who work full-time, degree completion can take even longer, or not occur at all: only 8 percent of students who began postsecondary education in the U.S. in 1995 and worked 35 hours or

more per week their first year had obtained a bachelor's degree by 2001, compared to 57 percent of those who worked only 1 to 14 hours per week. Over half of those students who worked full-time their first year had left college by 2001 without obtaining a certificate or degree.

*Students in the U.S. who received bachelor's degrees in AY 1999-2000 and who had not stopped out of school for more than six months averaged 55 months from first enrollment to degree completion, with the number varying from 51 months for students who attended only one institution to 59 months for those who attended two.

Source: U.S. Department of Education "Beginning Postsecondary Students 2001".

