Status of Texas Higher Education

Demographics

Racial and Ethnic Mix and Projections for the Future

In 2003, White non-Hispanics comprised 49.5 percent of the Texas population. This was the first time that Whites were not the majority of the Texas population. The most recent data, for 2006, shows that Whites make up 48.1 percent of the Texas population. Hispanics, the fastest growing segment of the population in the state as well as the nation, comprise nearly 36 percent of the Texas population. Most of the growth in the next 40 years will continue to come from non-White groups, primarily from the Hispanic population. By 2040, non-Hispanic 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 2006

	Texas 2006	Nation 2006
White, non-Hispanic	48.1%	66.2%
Hispanic	35.7%	14.8%
African-American	11.4%	12.2%
Asian-American	3.3%	4.3%
Other	1.5%	2.5%

Sources: The U.S. Census Bureau; The 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 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%

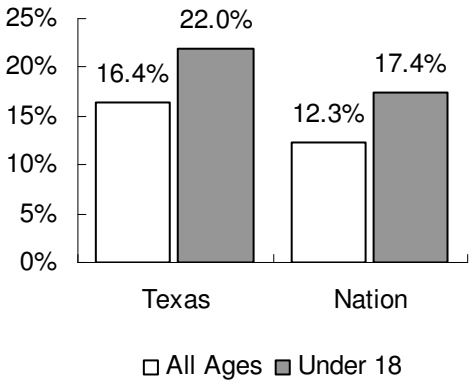
Source: The Texas State Data Center and Office of the State Demographer

Poverty Rate

Poverty rates have fallen in Texas and the U.S. compared to the previous year. Some 16.4 percent of all Texans, and 22.0 percent of Texas children, were living in poverty in 2006, versus 16.2 percent and 22.0 percent, respectively, in 2005. Nationwide, 12.3 percent of all individuals, and 17.4 percent of children, live in poverty, down from 12.6 percent and 17.6 percent. In 2006, the poverty threshold was an annual income of $20,444 or less for a family of four with two children, or $10,488 for an individual.

Source: The U.S. Census Bureau

Poverty Rate, 2006



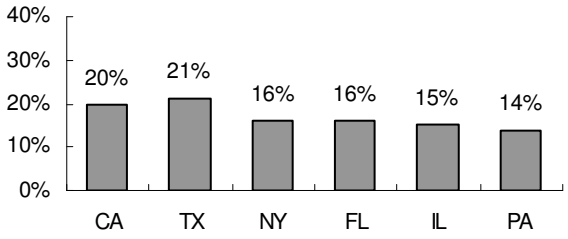
Educational Attainment

Educational Attainment

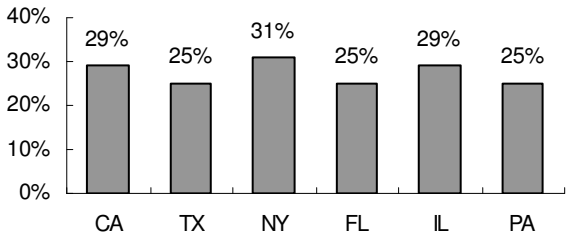
In 2006, 21 percent of people age 25 and older in Texas had not finished high school, the highest percent of any state in the nation. In the U.S., 16 percent of adults have not finished high school. Texas also scores lower than the nation in the percent of people who have completed a bachelor's degree, 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: The U.S. Census Bureau

Population Age 25 and Older Who Have Not Finished High School (2006)



Population Age 25 and Older With a Bachelor's Degree or Higher (2006)

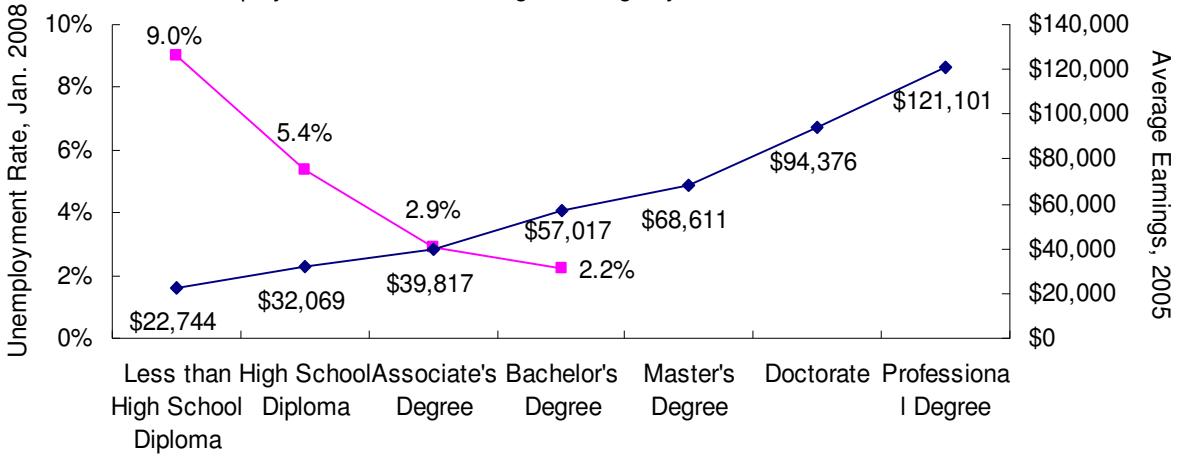


Earnings and Unemployment

Higher levels of education are closely associated with higher earnings. Nationally in 2005, average earnings for workers age 25 to 64 with less than a high school diploma were $22,744, or more than $9,000 below the $32,069 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 an average of $57,017 in 2005, and those with a professional degree earned an average of over $121,000. 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 January 2008, unemployment rates stood at 9.0 percent for workers who had not completed high school, but at 5.4 percent for those who had, and at 2.2 percent for workers who had completed a Bachelor's degree.

Unemployment Rate and Average Earnings by Educational Attainment



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

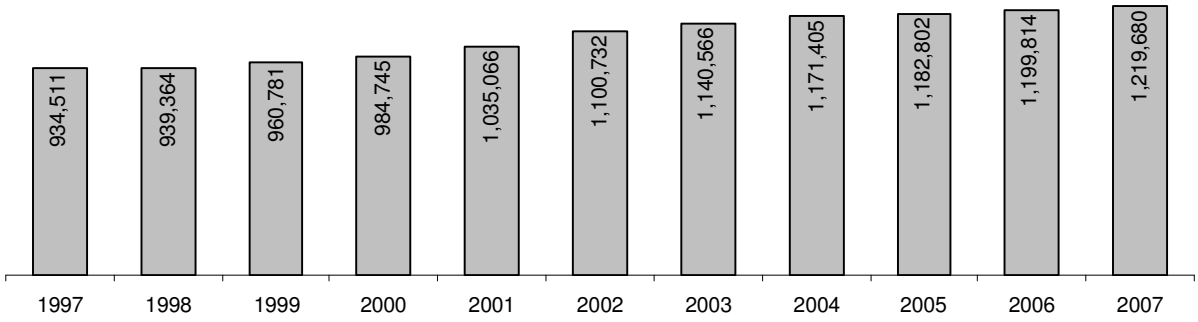
Enrollment

Enrollment Increase

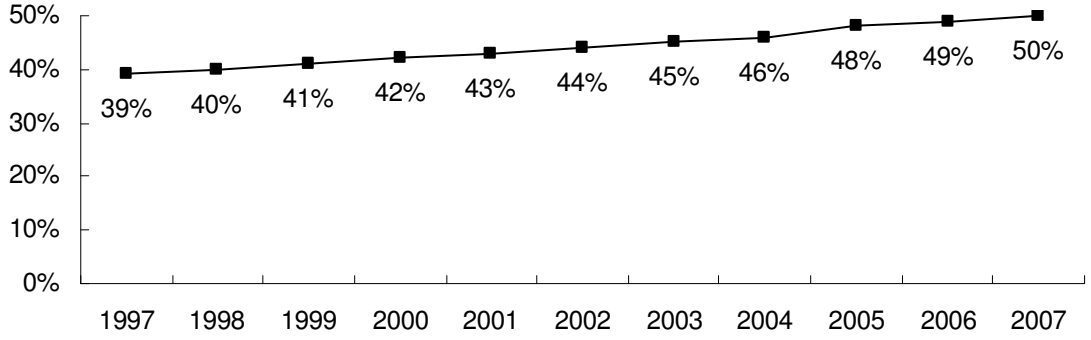
Enrollment in Texas colleges and universities is increasing. Preliminary figures show total enrollment in the fall of 2007 at 1,219,680*, an increase of over 230,000 since 2000, equivalent to the entire student population of the state's six largest public universities—the University of Texas at Austin, Texas A&M University, the University of Houston, the University of North Texas, the University of Texas at San Antonio, and Texas Tech University—combined. Non-White enrollment as a percentage of total enrollment has also increased from 39 percent in 1997 to 50 percent in 2007, making up half of total enrollment.

Enrollment had been increasing at a higher rate each year for some time, peaking in 2002 with a 6 percent increase compared to 2001 enrollments. Enrollment rose only 1.7 percent in 2007. 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.

Number of Students Enrolled in Texas Institutions of Higher Education, Fall Semester



Non-Whte Enrollment as Percentage of Total Enrollment in Texas Institutions of Higher Education: Fall Semester 1997 to 2007**



* Excluding proprietary schools

** 1997-2001: percent non-White enrollment at public institutions only (private not available); 2002-2007: percent non-White enrollment at all institutions

Sources: Texas Higher Education Coordinating Board (THECB); The U.S. Census Bureau

College Costs

Average Four-Year Public University Costs

Texas public four-year universities remain lower than the nation, on average, in every category except for other expenses. When weighted for enrollment*, two semesters of an undergraduate education at a Texas public university costs $15,995 for AY 2005-2006. Total educational expenses in 2005-2006 nationally for two semesters of an undergraduate education cost $16,820. While tuition and fees are the most well-known college expenses, they are only a part of the total cost of college. In fact, at Texas public four-year schools, tuition and fees only account for 30 percent of the total cost of education in 2005-2006. Room and board itself accounts for 43 percent of the student budget. 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—then they must pay rent. Total costs have risen by $778 in Texas and $842 in the U.S. since 2004-2005, with most of the increase due to hikes in tuition and fees and room and board.

2005-2006 Average Four-year Public School Costs
(Weighted for Enrollment*) (Cost / Percent of Total)

	Texas	Nation
Tuition and Fees (resident)	$4,904 / 30%	$5,393 / 32%
Books and Supplies	927 / 6%	1,003 / 6%
Room and Board	6,844 / 43%	7,281 / 43%
Other Expenses	3,320 / 21%	3,143 / 19%
Total Expenses	$15,995 / 100%	$16,820 / 100%

Total costs at public two-year institutions in Texas were $10,854 in 2005-2006, lower than the national average of $12,559. This total cost in Texas was an increase of $361 over 2004-2005, mostly due to a $148 increases in room and board costs. At private four-year institutions in Texas, total educational costs were $27,487 in 2005-2006, much lower than the national average of $31,176. The cost increase of $1,625 in Texas compared to 2004-2005 was mostly due to a $1,141 increase in average tuition and fees.

The $15,995 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. All state grants*** in Texas had some need requirement in AY 2005-2006. 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 $304 per full-time equivalent undergraduate student in AY 2005-2006. 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 (12 semester hours or more) and remaining costs are weighted by the number of undergraduates living off-campus. For Texas, all costs are weighted by total undergraduate enrollment because data 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 Educational Grant (TPEG).

Sources: IPEDS; NPSAS 2004; NASSGAP

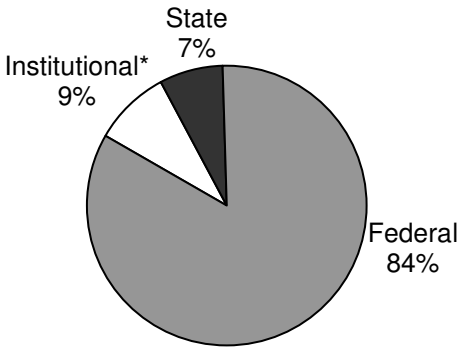
Financial Aid

Source of Student Aid, 2005-2006

Most higher education students depend on financial aid in order to go to school. In Award Year 2005-2006, financial aid* for Texas students totaled $5.8 billion dollars, 84 percent of which came from the federal government, 7 percent from the state, and 9 percent from institutions**.

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

Source of Student Aid in Texas 2005-2006

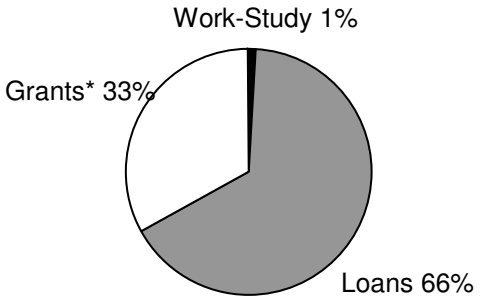


Type of Student Aid, 2005-2006

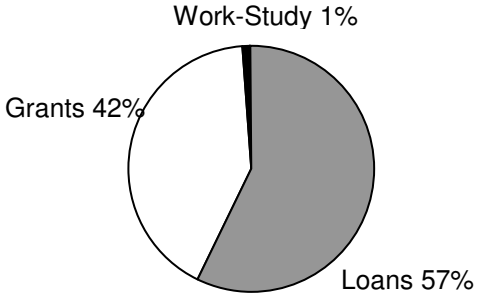
Texas students receive a smaller percentage of aid in grants than do students in the nation as a whole. In Award Year 2005-2006, 33 percent of aid in Texas came from grants* and 66 percent from loans, compared to 42 percent and 57 percent, respectively, nationwide. The largest loan program in the U.S. is the Federal Family Education Loan Program, or FFELP, and the largest need-based grant program is the federal Pell Grant.

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

Type of Student Aid in Texas, 2005-2006



Type of Student Aid in the U.S., 2005-2006



FFELP Loan Volume (Gross in Millions)

	Texas	Nation
FY 2006	$3,762	$54,656
FY 2005	3,592	49,975
FY 2004	3,335	44,986

Number of Loans (Gross in Thousands)

	Texas	Nation
FY 2006	881	11,987
FY 2005	858	11,249
FY 2004	819	10,373

Average FFELP Amount

	Texas	Nation
FY 2006	$4,271	$4,560
FY 2005	4,188	4,443
FY 2004	4,070	4,337

Pell Grants by Sector, AY 2005-2006

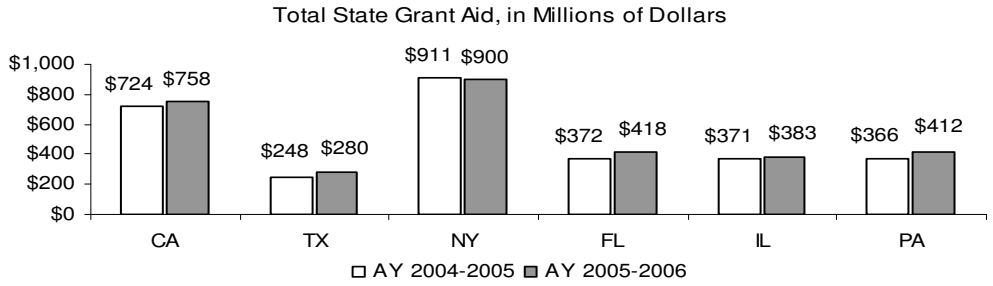
	Texas	Nation
Public	72%	65%
Private	8%	16%
Proprietary	20%	19%

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

State Grant Aid

Total State Grant Aid in Texas

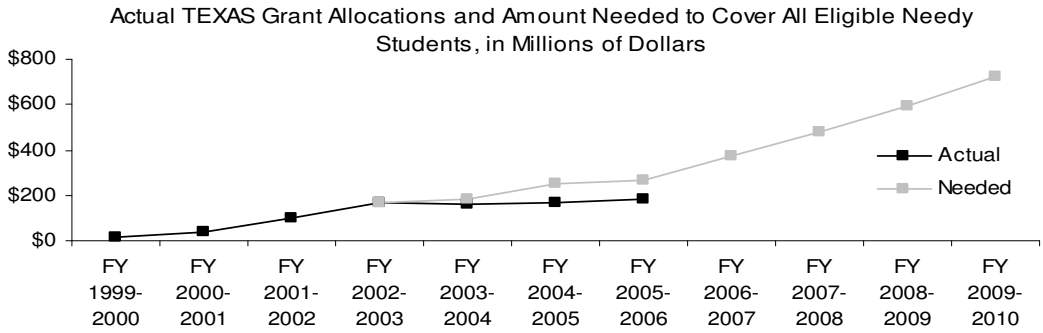
Texas state grant aid has increased substantially since the last decade, primarily as a result of the establishment of the TEXAS (Toward Excellence, Access, & Success) Grant program in 1999. In 1996-1997, Texas spent $48 million in grants, ranking Texas last among the six largest states. By AY 2005-2006, the amount of money that Texas allocated in grants had risen to $280* million. But even with this increase, Texas continues to rank last, spending about just over a third of what is spent by California, and less than a third of what is spent by New York. Meanwhile the TEXAS Grant, which is now the largest state grant program in Texas, continues to be seriously under funded. Although the amount appropriated for TEXAS Grants in AY 2005-2006 was slightly higher than the previous year, it is not nearly enough to keep up with the amount of need.



*State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG).
Source: NASSGAP

TEXAS Grant

The Texas Legislature created the TEXAS 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 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 curriculum for entering high school freshmen beginning in 2004, the percent of students graduating with a Recommended diploma increased to 68 percent in 2004. Average public university tuition and fees and the number of eligible students have risen sharply since the program began, but state funding has remained flat. Over 54,000 new and returning** students received a TEXAS Grant in 2005-2006, but just over 51,000 will get a grant in 2006-2007, while nearly 66,000 needy students—over half 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 $723 million in FY 2009-2010 according to the Texas Higher Education Coordinating Board.



* The Recommended curriculum better prepares students by requiring 1 additional credit each in science and social studies and 2 in foreign language. ** Recipients may continue to receive the TEXAS grant if they maintain a college GPA of 2.5.

Sources: 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 higher-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)

Source: The 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)

*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.

**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.

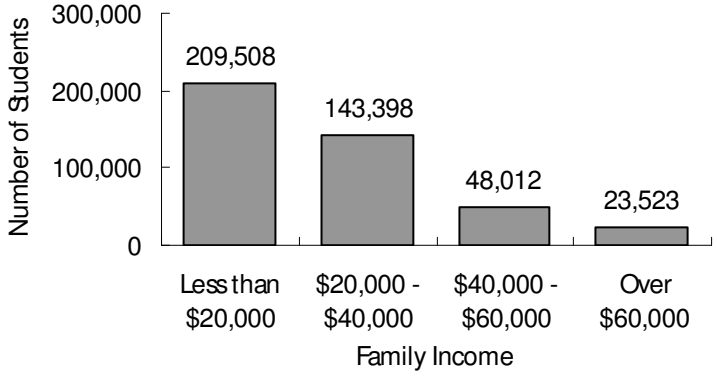
****The U.S. Department of Education defines an independent undergraduate as age 24 or older, married, with dependents to support, a veteran, or orphan or ward of the court. Students who do not meet these criteria but who receive no financial support from their parents may also be considered independent.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

Source: The 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)

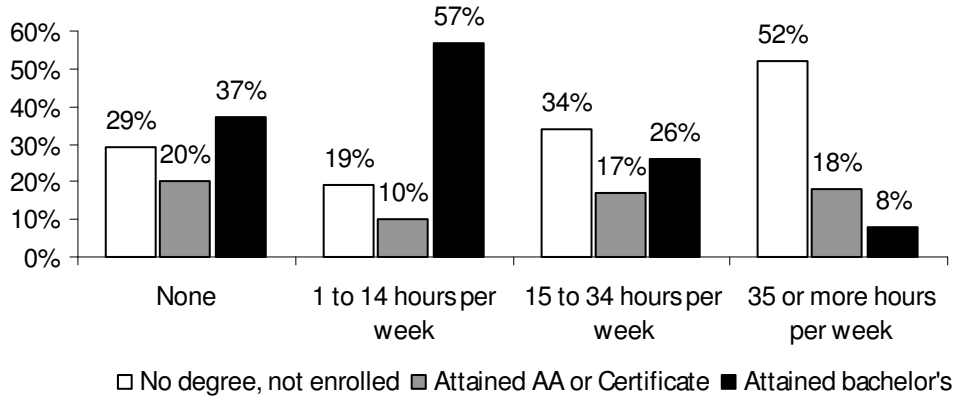


Source: THECB

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 who worked full-time their first year had left college by 2001 without obtaining a certificate or degree.

Status in 2001 of Freshmen Who Entered College in 1995, by Hours Worked per Week While in School (Students Who are Still Enrolled Not Shown)



* 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.

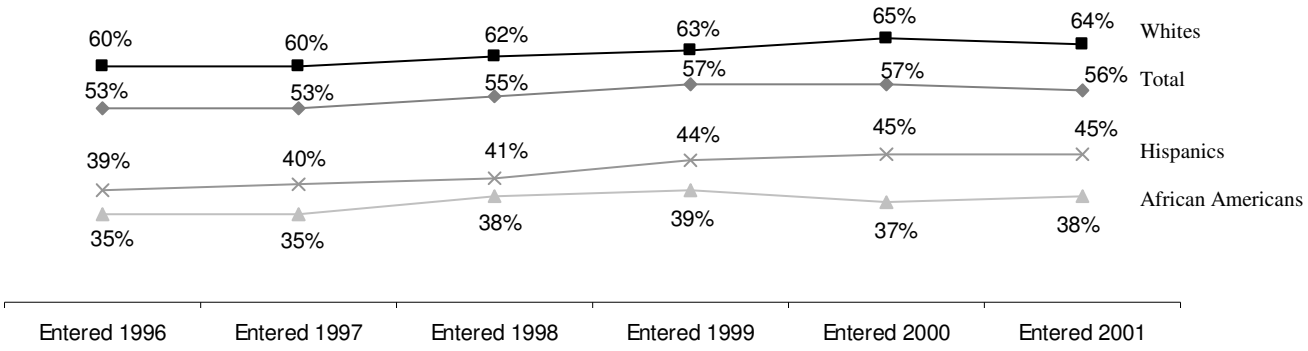
Source: The U.S. Department of Education "Beginning Postsecondary Students 2001"

Graduation Rates and Closing the Gaps

Graduation Rates in Texas by Ethnicity

College graduation rates in Texas are rising, but remain stratified by ethnicity. About 56 percent of first-time, full-time freshmen who entered a Texas public university in 2001 obtained a bachelor's degree from that or another Texas public university within six years. Sixty-four percent of Whites, 45 percent of Hispanics, and 38 percent of African Americans graduated from a Texas public university within 6 years. Only 23 percent of freshmen in Texas graduate in four years. Most undergraduates in the U.S. take more than four years to complete a bachelor's degree*.

First-Time, Full-Time Freshmen Who Entered a Texas Public University and Who Received a Bachelor's Degree Within Six Years, by Ethnicity



* Bachelor's degree recipients in AY 1999-2000 who had not stopped out of school averaged 55 months from first enrollment to degree completion.

Sources: The U.S. Department of Education, Condition of Education: Student Effort and Educational Progress; THECB, Baccalaureate Graduation Rates; THECB, Higher Education Accountability System; The U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2004 (http://www.nces.ed.gov/das).

Closing the Gaps Targets

Faced with lagging enrollments, and a shortfall in the number of degrees and certificates awarded, in 2000 Texas set the goal of "closing the gaps" in participation and success in higher education by 2015. The state aims to achieve this goal by increasing the number of students enrolled by 630,000, and increasing the number of degrees and certificates awarded by 50 percent. Total enrollment needs to grow at least 15 percent in order to meet the 2010 targets for Closing the Gaps. Hispanic enrollment has the farthest to go, needing to grow 42 percent to meet the Closing the Gaps 2010 goal. The success targets are on track, with the bachelor's degree target closest to meeting the 2010 goal.

Texas Participation Targets for 2010

	Actual Fall 2006	2010 Targets	Growth Needed to Reach 2010 Targets
Total Enrollment	1,236,168	1,423,000	15%
African American Enrollment	142,622	158,300	11%
Hispanic Enrollment	333,964	474,000	42%
White Enrollment	624,671	660,500	6%

Texas Success Targets for 2010

	Actual Fall 2006	2010 Targets	Growth Needed to Reach 2010 Targets
Total certificates and degrees	147,705	171,000	16%
Associate's degrees	37,196	43,400	17%
Bachelor's degrees	89,780	100,000	11%

Sources: The U.S. Census Bureau, Census 2000, General Demographic Characteristics – DP-1 (population age 18 and over) and General Social Characteristics (population enrolled in higher education); Texas Higher Education Coordinating Board (THECB) Closing the Gaps. October 2000; THECB, Closing the Gaps by 2015: 2007 Progress Report, July 2007.

Financial Barriers to Higher Education

Ready, Willing, and Unable

Texas high schools are graduating more college-qualified students than ever before. In 2004, the Recommended High School Program became the default curriculum for high school students. Between 2000 and 2004, the percentage of high school graduates who were college-qualified (graduated under the Recommended High School Program or under the Distinguished Achievement Program, an even more rigorous curriculum) increased substantially from 39 percent to 68 percent.

However, as the number of college-qualified students continues to climb, so do college prices. Stagnant state grant aid has only intensified the financial barriers many of these students face. Students who are unable to meet the cost of college may turn to attending part-time, working full-time while enrolled, or delaying college enrollment, any of which can put the student at a greater risk for dropping out of college before completing a degree.

TG projects that 47,000 more bachelor degrees could be awarded if financial barriers were removed, which would be roughly equivalent to the number awarded in 2006 by the entire University of Texas System, Texas A&M University System, and Texas Tech University.

Estimated Texas 2003-2004 High School Graduates by Family Income, by College Preparedness, Bachelor Degree Attainment, and Estimated Loss Degrees

2003 Family Income	2004 Texas High School Graduates		College Prep (Algebra II)			Projected College Prep and Earn a Bachelor's Degree by 2012			Projected Loss of BA Degrees Due to Financial Barriers	
			Yes		No	Yes		No	Method #1	Method #2
	#	%	%	#	#	%	#	#		
Under $35,000	101,600	42%	66%	67,000	34,600	43%	28,800	38,200	24,800	14,100
$35,000 to $74,999	77,100	32%	75%	57,800	19,200	50%	28,900	28,900	17,400	8,100
$75,000 to $99,999	35,600	15%	84%	29,900	5,700	64%	19,100	10,700	4,800	
$100,000 and over	25,500	11%	90%	22,900	2,500	80%	18,400	4,600		
Grand Total	**239,716***	**100%**	**100%**	**177,600**	**62,000**	**100%**	**95,200**	**82,400**	**47,000**	**22,200**

In the above analysis, the projected loss of bachelor's degrees is based only on the high school students who were deemed college prepared (took at least Algebra II).

Method #1 computes the loss of bachelor's degrees based on the degree attainment rate if high-income college graduates. Using method #1, an estimated 47,000 college prepared, high school graduates from 2004 may not be able to earn a four-year degree by 2012 primarily due to financial barriers.

Method #2, the more conservative method, computes the loss of bachelor's degrees based on the degree attainment rate of middle-income graduates. Using method #2, and estimated 22,200 college prepared, high school graduates may not be able to graduate from a four-year school by 2012 primarily due to financial barriers.

Some recommendations to improve the affordability of college include increasing need-based grant aid, fully funding the major state grant programs, curbing college costs such as textbooks and housing, helping students pay off their federal loans, and promoting financial literacy.

Source: TG, "Ready, Willing, and Unable: How Financial Barriers Obstruct Bachelor-Degree Attainment in Texas".