

**Resolution of the Board of Directors in Support of Higher Education Initiatives
Emphasizing TIER One Programming**

Legislation Needed

The Greater Houston Partnership urges lawmakers to support legislative initiatives that achieve the following:

Funding

- Protect current funding for higher education institutions to prevent disproportionate cuts to these systems.
- Support the continuation of current funding for financial aid programs, including the Texas Grant Program, the Texas Tuition Equalization Grant and Work Study that expands access to higher education.
- Continued support of local community colleges by investing sufficient base funding and funding for unprecedented growth in student enrollment at community colleges over the past two years. We support the continuance of funding community college group health care insurance based on employee eligibility.
- Equalized pharmacy and nursing funding for universities that do not have a Health Science Center such as Texas Southern University and University of Houston.

Tier One

- Continued support for the Research Development Fund (RDF), the Texas Competitive Knowledge Fund, (TCKF), the Texas Research Incentive Fund (TRIP) and the National Research University Fund (NRUF), to enable the University of Houston, and other institutions to attain Tier One status.
- Support for the immediate and full distribution of NRUF funds to qualifying universities following the same formula that is applied in the distribution of similar funds. The money is needed by such qualifying universities today to accelerate their advancement to Tier One status.
- Ensure Texas increases the number of Tier One universities as quickly as possible.

Other

- Continued focus on the accountability system for Teacher Education Programs in the implementation of SB 174.
- Focused attention on the capacity of Texas' accountability system to ensure and sustain improvements in teacher preparation, whether it is university-based or non-university-based.

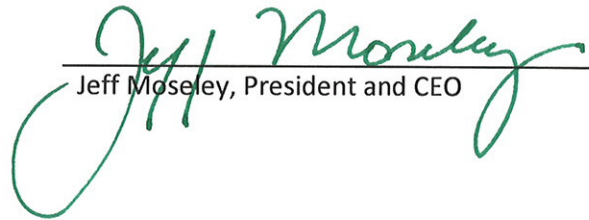
[In recognition of their strong inter-relationship, these priorities are strongly endorsed by both the Education/Higher Education and Economic Development Committees of the Greater Houston Partnership]



Larry Kellner, Chairman



Tony Chase, Secretary



Jeff Moseley, President and CEO

BACKGROUND MEMORANDUM

DATE: Original December 15, 2010
Amended on March 9, 2011

TO: Greater Houston Partnership Board of Directors

FROM: Anne Taylor, Chair, Education Policy Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Higher Education Initiatives
Emphasizing TIER One Programming

BACKGROUND

The Texas higher education system consists of 146 public and private colleges, universities and health-related institutions and teaching centers, including 101 state-supported and 44 private institutions. The enrollment in all colleges and universities is expected to reach at least 1.3 million students by 2015.

Texas, more than any other of the most populous states, depends heavily upon public, rather than private higher education institutions, to educate its students. According to the Texas Higher Education Coordinating Board, more than 90 percent, or 1,064,620 students, are enrolled at its publicly-funded institutions, which include 57 community colleges and other two-year institutions (565,839), 35 universities (483,645), and nine public health-related institutions (15,136). Public higher education in the state is funded through a combination of tuition, student fees, hospital and clinic revenue and other local funds (including gifts from benefactors), income from the Permanent University Fund and general revenue appropriations made by the Legislature. Tuition rates are set by each institution's boards of regents, which also set many student fees.

The colleges and universities serving the region have allocated fiscal, physical, and human resources and created entrepreneurship systems within the institutions to advance economic development.

Funding

Higher education has a significant impact on the Texas economy, returning more than \$8.08 for every \$1.00¹ of state general revenue invested and creating significant economic development impact for the region and the state.

As demands on universities and community colleges continue to grow through ever increasing enrollments, it is imperative for the state to support four-year higher education institutions at a level which preserves the quality of educational programs, services and research conducted by universities and colleges in the Houston region.

¹ Texas Higher Education Coordinating Board

It is critical for the state to continue its support for tuition flexibility and increased state funding for public and independent higher education institutions, including funding for grants and scholarships. This will help increase the number of graduates in critical need areas, show continued commitment to the Closing the Gaps campaign – to enroll 630,000 more students in higher education by 2015 – and recognize general revenue funding comprises only 10-40% of the operating budgets of community colleges and universities.

Community Colleges provide gateways to higher education and are critical to guaranteeing the future success of the Texas economy. More Texans begin their educational journey at a community college. These institutions train individuals for the current shortages in the teaching and allied health professions. Nationally, there are 1,200 community colleges, which make up 45 percent of all undergraduates. However, the funding for community colleges continues to decrease in state appropriations. Like most institutions of higher education, the immediate challenges facing community colleges are:

- The diminishing fiscal resources;
- Increase in student diversity; and
- The growing demands of accountability.

Community College senior administrators have been challenged to balance quality education and funding constraints. As community colleges continue to serve an increasingly diverse student body, enrollment will continue to grow creating capacity challenges.

Historically, there has been a shared costs arrangement between the state of Texas and local communities regarding the financing of local community colleges. Under law, the state funded the salaries of the educational and administrative employees, while local community colleges assessed and collected property taxes to fund physical facilities.

The 1985 General Appropriations Act included a rider instructing institutions to apply for and use federal funds for group insurance premiums for salaries paid from federal funds to prevent outside funding sources from increasing the burden on state taxpayers. Also, all physical plant employee benefits are paid from local funds based on community colleges' traditional responsibility to pay for physical plant expenses, and a Texas Performance Review recommendation. In each case, tuition and property tax revenues used to pay instructional expenses were considered state funds assigned proportionality.

The proposed expanded definition of proportionality sought to assign the cost of employee benefits to each revenue source (i.e., local taxes, tuition and fees and state appropriations) in proportion to the relative share each pays for general operating expenses, including instruction. The adoption of this definition abandons the historical arrangement between the state and local community colleges. Community Colleges contend that the expanded definition of "proportionality" forces them to pay a disproportionate share of employee benefits and would restrict their ability to attract and retain quality faculty. In essence, the expanded view of proportionality, according to community colleges, shifts a current state cost onto local property taxpayers and students by forcing community colleges to alleviate shortfalls resulting from the expanded definition.

Texas Southern University and the University of Houston, both with excellent colleges of pharmacy, are funded at half of the rate per students than other Texas universities, because of a technicality that must be corrected.

The independent universities in the region also serve an important number of students that receive the Texas Tuition Equalization Grant (TEG). The TEG was created by the Texas Legislature in 1973 to:

- reduce taxpayer costs for higher education by providing limited financial assistance to needy
- low- and middle-income Texas students attending Texas independent institutions of higher education;
- help bridge the tuition gap between lower priced state universities and independent institutions;
- assist students whose financial circumstances limit their college choices;
- encourage independent institutions to expand and continue sharing the task of educating a rapidly growing student population; and
- strengthen independent institutions by helping them maintain ethnically and economically diverse student bodies.

Tier One

National research universities, often referred to as Tier One universities, attract top faculty and students to produce scientific innovation and economic benefit. Texas lags behind similarly sized states in the number of national research universities. Texas has only three Tier One schools – The University of Texas at Austin, Texas A&M University and Rice University – compared to California’s nine and New York’s seven.

House Bill 51, which passed in the 81st session, constructs a framework of funding that rewards performance by all of the state’s public universities, but in particular the seven universities classified by the Texas Higher Education Coordinating Board as “emerging research universities,” to include the University of Houston and 6 other universities. The legislation also provides matching state dollars for external financial support raised for research at these seven institutions.

Under the new act, more than \$680 million may be available to Texas universities as they strive to attract the highest-quality faculty and students and build excellent programs.

Funding Streams for Tier One

Research University Development Fund

The research and emerging research universities will be awarded matching grants based on a formula modeled after the Texas Competitive Knowledge Fund, with institutions receiving funding based on their research expenditures.

TRIP matching grant

The emerging research institutions will receive matching grants for gifts, scholarship, and endowments. The percentage the state will match will be based on how much the institutions receive from these gifts, scholarships and endowments.

National Research University Fund

The emerging research institutions will receive funding once they have attained high benchmarks in research, endowment fund value, and high-achieving students and faculty. These funds will be given to those institutions that are closest to reaching national research status.

The National Research University Fund (NRUF) should be administered using the same methodology applied to the other 11 state endowments that are administered by the State Comptroller and the Texas Treasury Safekeeping Trust Company. The management strategy employed by the State Comptroller would return 40% to the fund, with 4.5% to be distributed to eligible institutions.

The distribution of NRUF annual appropriations should apply the same methodology used to distribute the Research Development Fund (three-year rolling average of restricted research expenditures).

Performance Incentive Funding

All general academic institutions will receive incentive funding based on degrees awarded and increases in degrees awarded. Extra weight will be given for degrees in critical fields and degrees given to students classified as "at-risk."

University Funding for Excellence in Specific Programs and Fields

The comprehensive universities will be awarded incentive funding to create premier programs that are recognized nationally and internationally. Experts from outside the state will establish benchmarks of success, with the final benchmark being national recognition. Attainment of successive benchmarks earns an increasing incentive award.

Other

Stronger Accountability System for Teacher Education Programs

SB 174- 81st Session instituted an accountability system that is based on four standards:

- The results of certification examinations
- Beginning teacher performance based on an appraisal system adopted by SBEC
- To the extent practicable, achievement, including improvement in achievement, or students taught by teachers in their first 3 years
- Compliance with SBEC rules regarding the frequency, duration and quality of field supervision of first year teachers

Data Review will include:

- Results of required exit surveys of program completers evaluating the effectiveness of Educator Preparation Programs

- Results of surveys of school principals evaluating the effectiveness of programs' preparation based on their employment experience with EPP participants

Implementation Dates for Accountability System

- 2009-2010 Pilot Year
- 2010-2011 Full Implementation for standards with available data; implementation for other standards as data becomes available.

Meaningful access to higher education is a cornerstone of economic opportunity. Higher educational attainment strengthens the work force, increases earnings and often leads to a better quality of life for individuals and the broader society. To remain competitive in a global marketplace, Texas must support students who are seeking higher education.

KNOWN OPPOSITION

There is no known opposition to this initiative.

RESOURCES REQUIRED

This recommendation can be implemented with available Greater Houston Partnership staff and within current operating budget resources.