



Texas Higher Education Funding

Fact base

JANUARY 2020



Executive Summary

State of Texas contributes ~\$4.4B annually to directly fund higher education institutions, which is slightly above national median on a per-student basis (19th out of 50 in 2018)

State higher ed funding, however, has not kept pace with enrollment over the last decade (funding per student is down ~15%)

3 institutions (UT, A&M, TAMU) receive funding from PUF, a large publicly-funded endowment, whose disbursement they control. Most other institutions receive funding from HEF, a separate funding mechanism controlled by the state legislature

PUF-funded institutions are more protected from the decline in state funding compared to HEF-funded institutions, as income from the endowed PUF offsets cuts in state appropriations

To close funding gaps, HEF institutions have raised tuition more quickly (+18% at Houston HEF institutions vs +11% at PUF institutions). As economic cycles and rising competition can make enrollment unpredictable, this funding strategy is less stable and can make longer-term investments more challenging

To help offset this burden Texas provides financial aid grants to assist the neediest students but only 11% are eligible each year. The average grant size (\$3-5K) covers 7-25% of the average cost of attendance depending on the grant program and institution

Note: Unless otherwise noted student refers to Full Time Student Equivalent (FTSE). Undergraduate FTSEs are calculated on the basis of 15 semester credit hours. Masters, law, and other special profession FTSEs are calculated on 12 credit hours. Doctoral FTSEs are calculated on 9 credit hours.

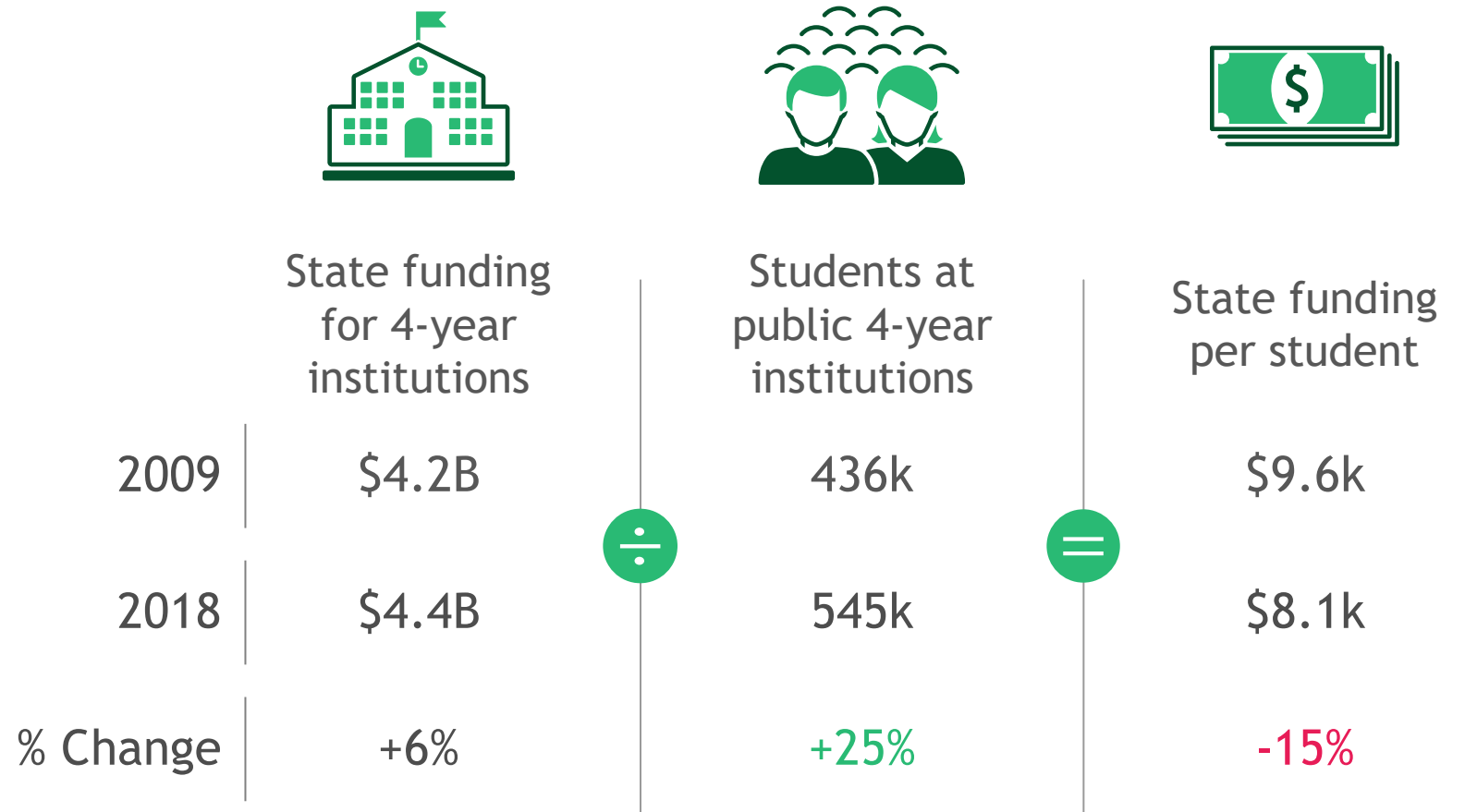
Texas higher ed funding has been consistently slightly above national median

Texas nationwide rank in state funding per student¹



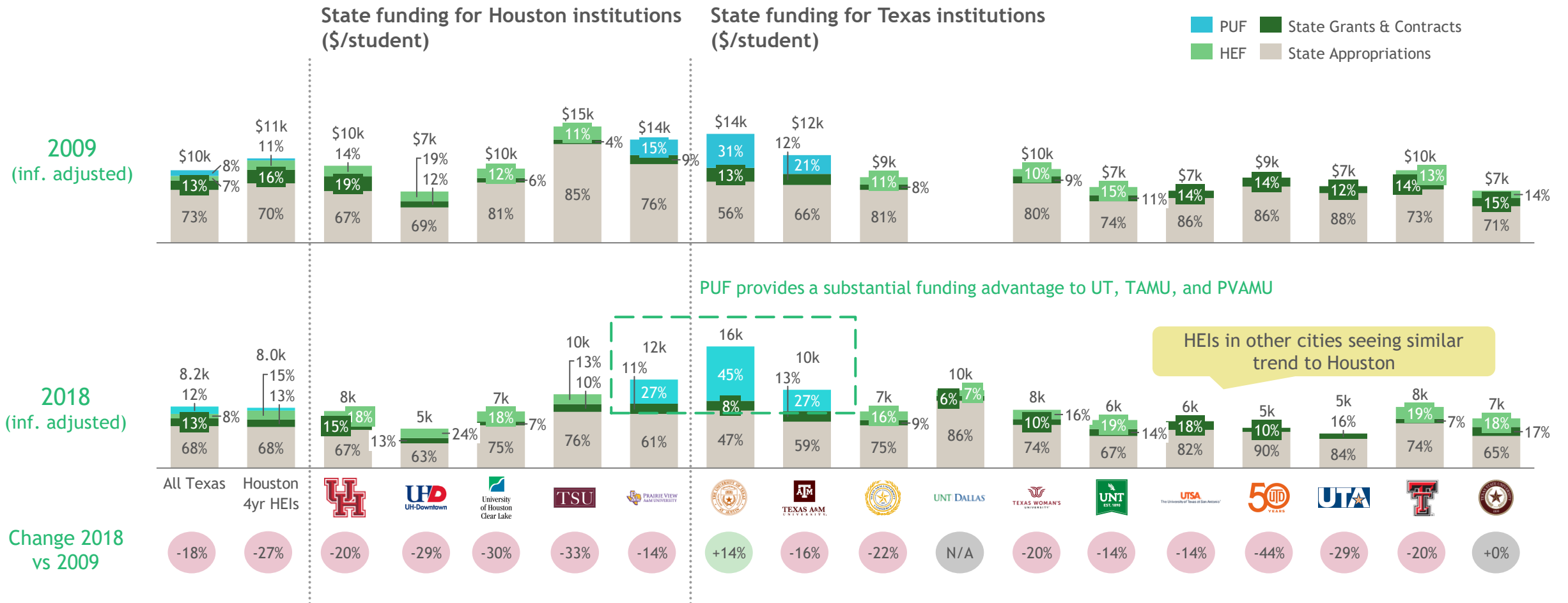
1. State spending per FTSE by state ranked largest to smallest calculated by SHEEO
Note: All dollars inflation-adjusted to August 2019; US includes public 4 year, primarily baccalaureate institutions that have first-time, full-time undergraduates, Texas & Houston includes THECB-classified as "General Academic Institutions" Source: IPEDS, THECB, SHEEO

Texas higher ed funding has not kept pace with enrollment



Note: Dollars inflation adjusted to August 2019, Total Texas population grew 16% between 2008 and 2018, State spending on institutions does not include spending on financial aid to students
 Source: THECB Sources and Uses Report; BLS Inflation Calculator; BCG Analysis

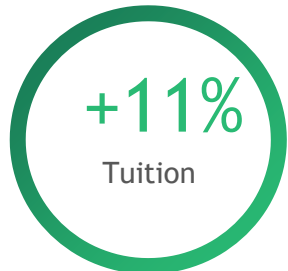
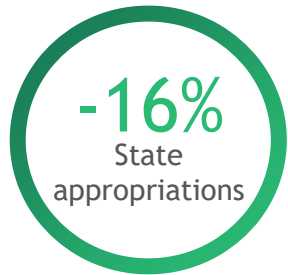
Vast majority of institutions saw funding decline, though PUF institutions relatively insulated



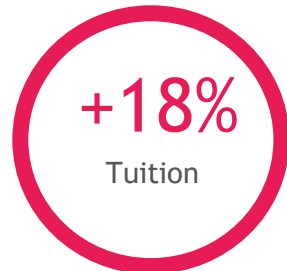
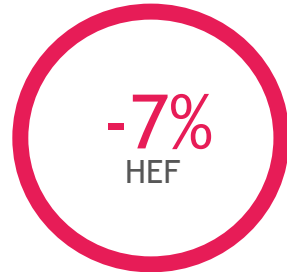
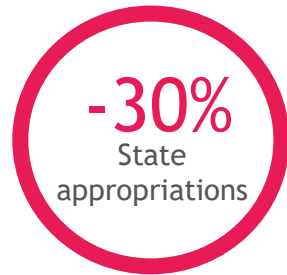
Note: UNT Dallas was not a standalone university until 2009; Dollars inflation adjusted to August 2019
 Source: THECB Sources and Uses Report FY2009 and FY2018; BLS Inflation Calculator

HEF did not provide the same level of protection to falling state funding as PUF

UT, TAMU, PVAMU
(change 09-18 per student)



Houston HEF
(change 09-18 per student)



Trends seen at Houston HEF institutions also seen statewide

Funding formula influenced by type & mix of degrees offered (e.g. STEM)

PUF provides flexibility to offset state budget cuts not dispersed by legislature

Institutions using tuition increases to offset state funding declines

Implications

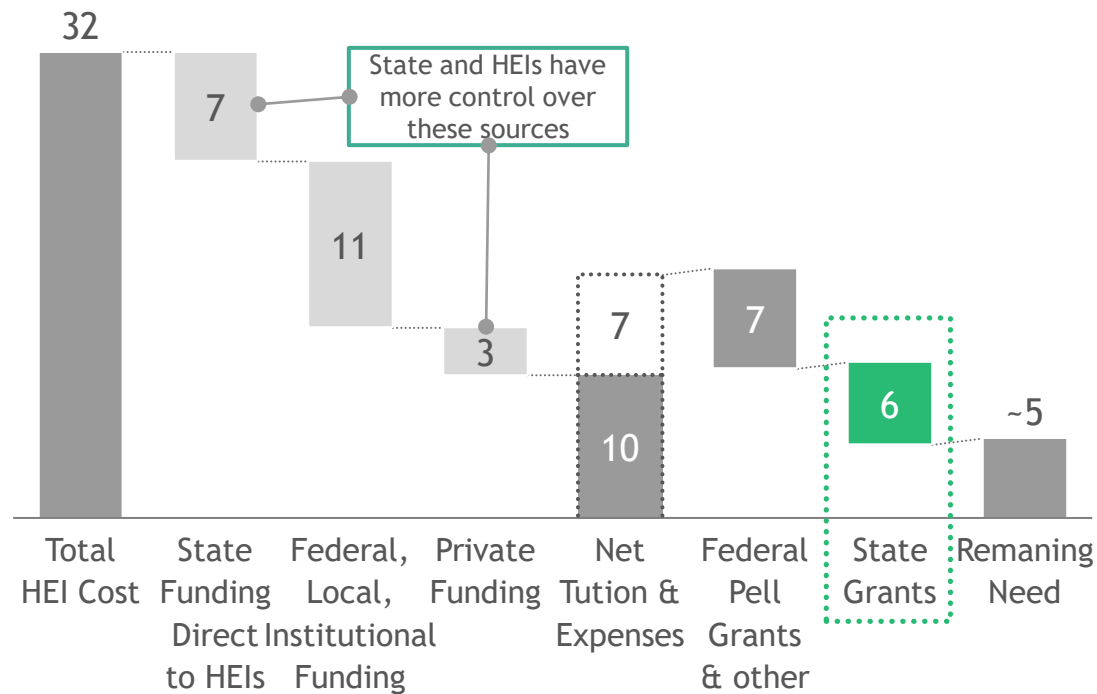
- As economic cycles and rising competition can influence enrollment levels, relying on tuition increases is less stable
- Increasing reliance on less stable funding sources can weaken the ability to make needed long-term investments

Note: All percent changes calculated based on FY2009 and FY2018 inflation adjusted dollars
Source: THECB Sources and Uses Report FY2009 and FY2018

State financial aid grants help neediest students partially offset financial burden caused by rising tuition

State higher ed funding impacts tuition levels which determines students' need for financial aid

Funding sources for average UH Student receiving grant (illustrative, \$K)



Texas provides two primary grant programs to students with financial need at 4-year HEIs

\$357M
2017 total

Texas Grant

Texas residents attending a public HEI

- Served 72,000 students
- \$4.9K average award

\$93M
2017 total

Tuition Equalization Grant (TEG)

Texas residents or National Merit Finalists attending a private university

- Served 26,000 students
- \$3.5K average award

Note: Texas also provides \$1B in financial aid through tuition waivers and set-asides which are not direct expenditures but are foregone revenue reflected in net-tuition calculations; Texas also provides a small number of self-supporting student loan programs; Funding to institutions reflect UH FY2018 average; Net tuition, expenses, and financial aid assume dependent student with \$35k family income and FY2017 UH average grant size

Source: THECB; University of Houston Net Price Calculator

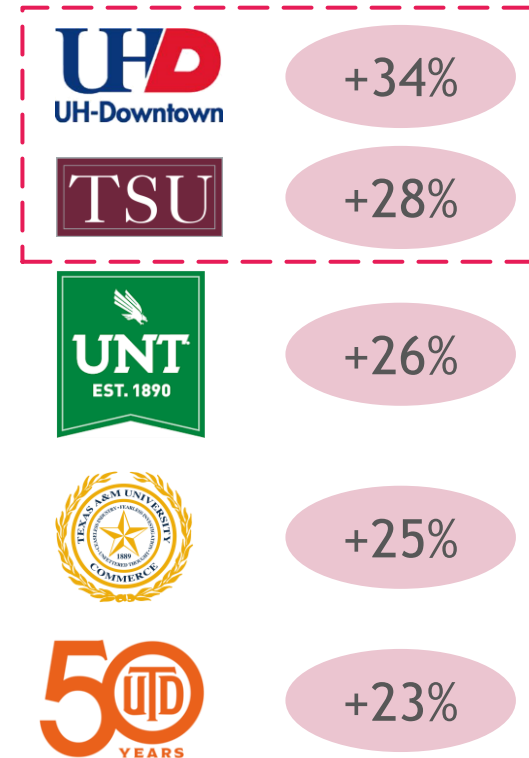
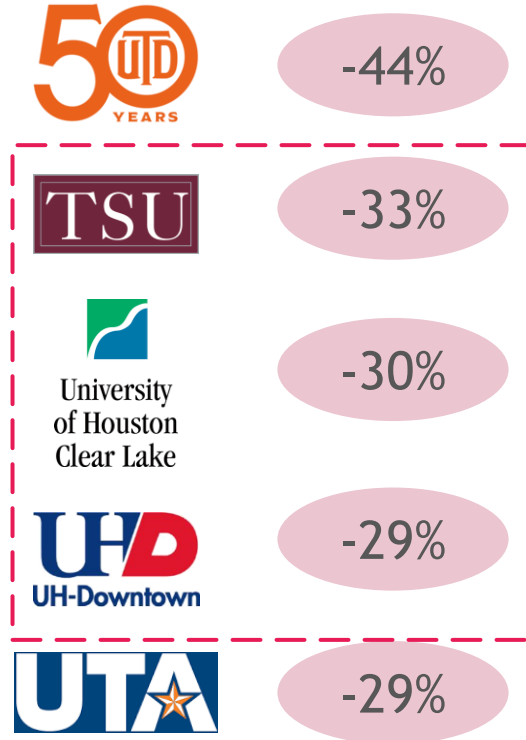
In Houston most statewide funding trends are reflected or magnified

Houston has faced some of the largest declines in state funding...

...and experienced the highest tuition increases

Largest decline in state funding per student (09-18)

Largest increase in net tuition per student (09-18)



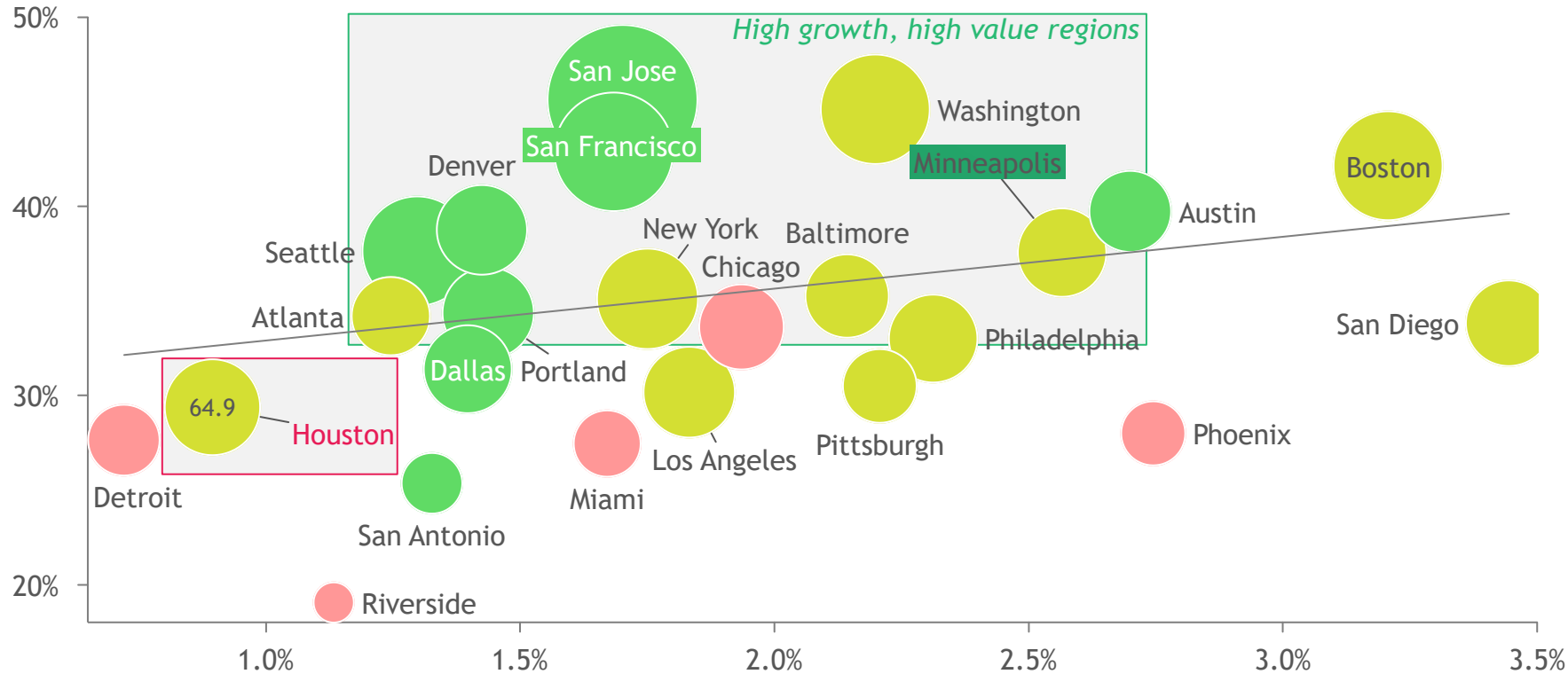
Note: All percent changes calculated based on FY2009 and FY2018 inflation adjusted dollars; Ranking comes from list of selected peer public institutions
Source: THECB; IPEDS



Appendix

Cities with strong economic growth benefit from higher ed ecosystem to satisfy local business demand for talent

12-16 Avg. Educational Attainment (% Bachelor+)¹



'07-'17 GDP CAGR²

- At/near average (Yellow)
- Below average (Red)
- Above average (Green)

'07-'17 Avg GDP per Capita

Avg: \$56 K

12-17 Avg. Local HEI bach+ degrees produced as % of workforce

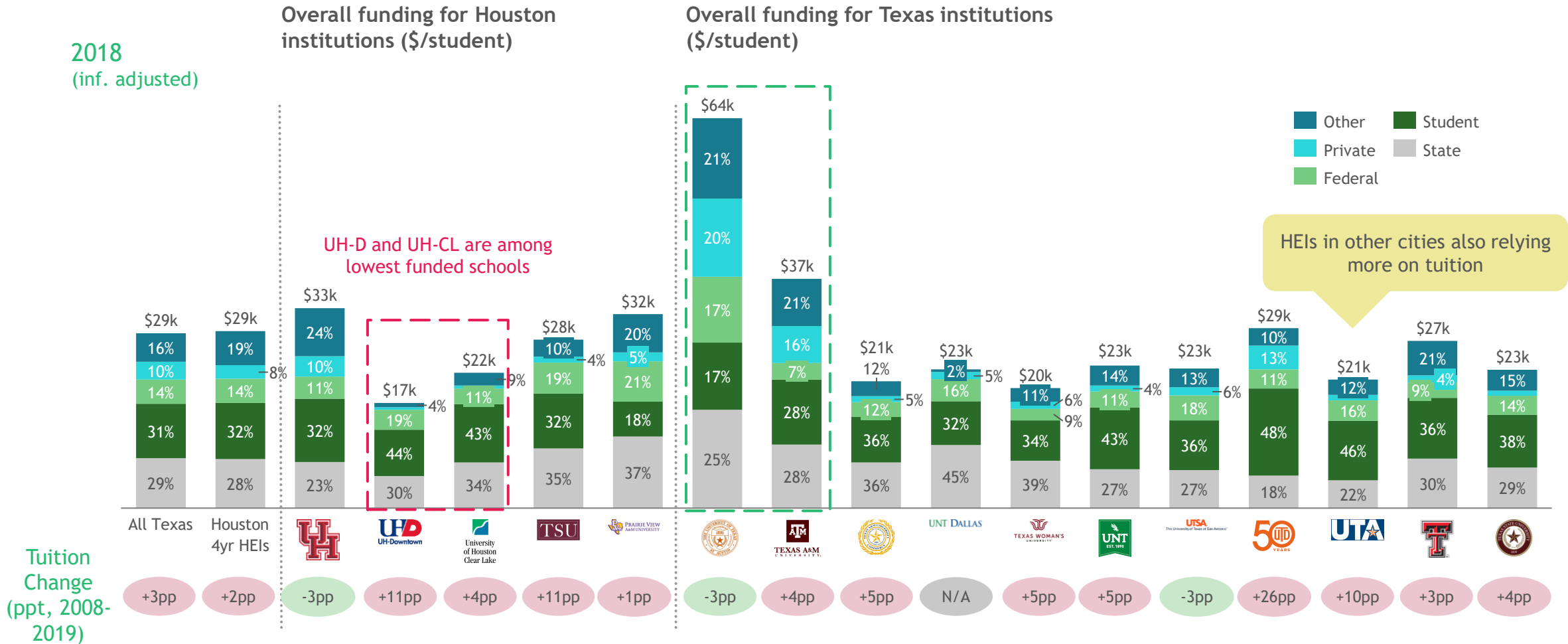
Attainment is an important factor of strong economic output

Local degree production is a key lever to increase higher ed attainment

Houston has been able to sustain economic performance yet potential is limited as it lags most other fast growing regions

1. For population 25 years and older. 2. Above = 0.5+ Std dev higher than average; Below = 0.5+ Std dev lower than average. 3 Avg of 2012 & 2017
Source: US BEA, US Census, BLS, IPEDS

To close funding gaps, non-PUF institutions generally relying more on less stable funding sources, like student tuition revenue



Note: Dollars inflation adjusted to August 2019
 Source: THECB Sources and Uses Report FY2018; BLS Inflation Calculator

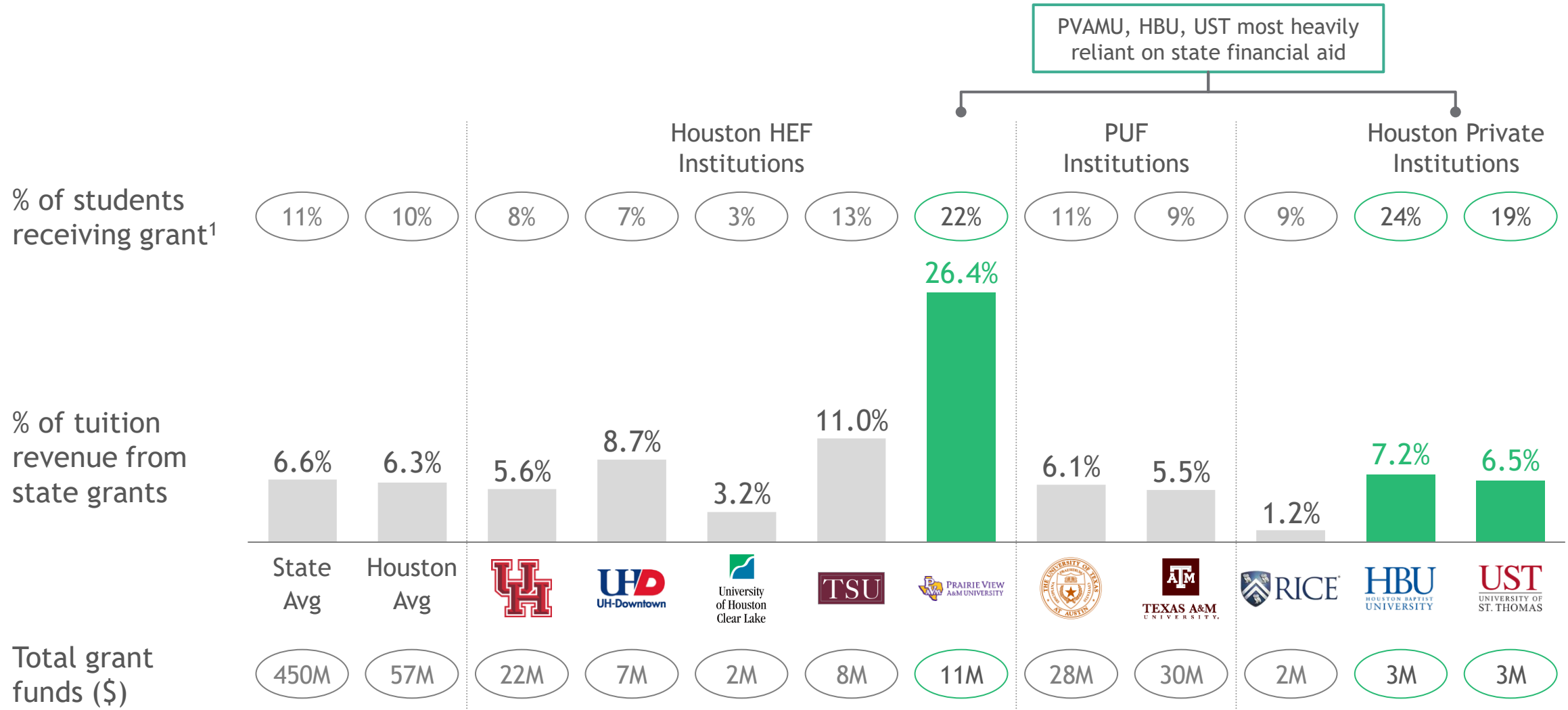
Texas provides two main financial aid grants for students at 4 year HEIs

	Texas Grant ¹	Tuition Equalization Grant (TEG)
Eligible Institutions	Public universities	Private or independent institutions
Use of Financial Aid	Grant can be used to pay any usual and customary cost of attendance	Grant can be used to pay any usual and customary cost of attendance
Course Requirement	$\frac{3}{4}$ of a full course load	$\frac{3}{4}$ of a full course load
Financial Requirement	Must show financial need	Must show financial need
Residency Requirement	Texas resident	Texas resident or National Merit Finalist
GPA Requirement	First year: Institution's GPA requirement, Second year: 2.5	First year: Institution's GPA requirement, Second year: 2.5
Total Disbursed in 2017	\$357M	\$94.4M
Students Served in 2017	72k	26K
Avg. Award Amount in 2017	\$4.9K	\$3.5K

1. Texas Grant also has "enrollment pathways" which require a student to enroll as an undergrad 12-16 months after completing HS, military service, or an associates degree; HS students can also get priority for Texas grants if they meet additional criteria such as completing 12 hours of college credit (dual credit; AP), completed advanced math courses, and ranked in top 1/3 of class

Source: Legislative Budget Board

Houston HEIs generally receive average state financial aid with a few outliers



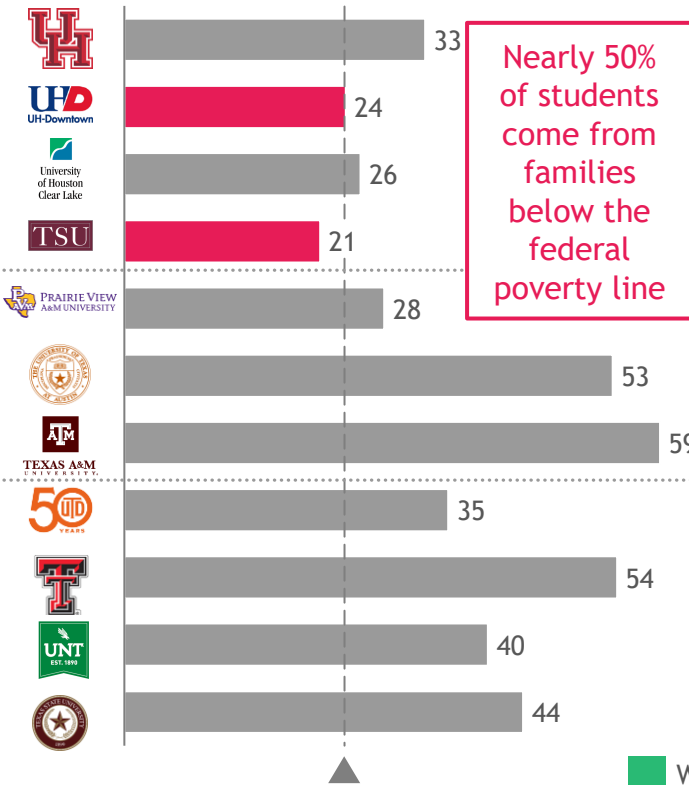
1. Students here refers to unduplicated student headcount.
Source: THECB; IPEDS

Houston institutions tend to educate greater share of diverse students



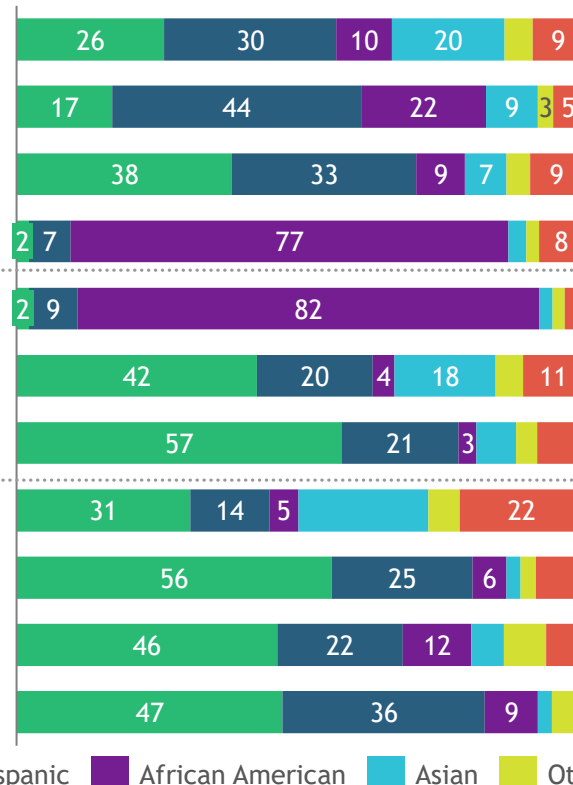
Houston's students have lower income...

Median student family income (\$k/yr)



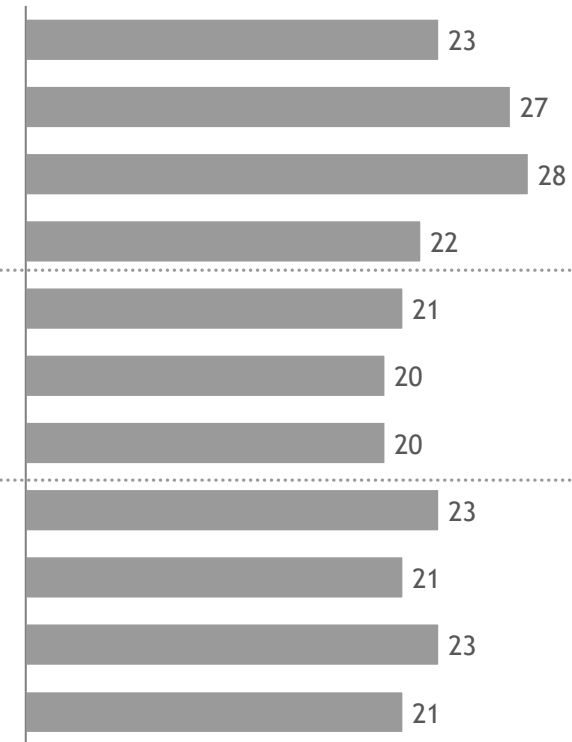
...are more diverse...

Student demographics (%)



...and start college later

Avg age at entry



Federal Poverty Line

Source: IPEDS; BLS Inflation Calculator; US Department HHS; US DoE College Scorecard

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