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ABSTRACT

This case study, part of the State Structures for the Governance of Higher Education study, focuses on governance and related issues in Texas's higher education system. The study's overall purpose was to examine differences among states in their governance structures, and to determine if differences in performance were related to governing structures and whether structure affects strategies of state policymakers. The study is based on analysis of documents and on interviews conducted in 1995 with state officials, education administrators, faculty, and staff. The first section provides information on the state's political culture and higher education issues. Section 2 examines the characteristics of the Texas higher education system, including the system's history, the role of the Texas Higher Education Coordinating Board, community and technical colleges, public universities, tuition, independent higher education, and student financial aid. Section 3 examines the coordinating processes in the Texas higher education system. These include budgeting, planning, system articulation, information collection, the Texas Academic Skills Program, and research funding programs. A final section of concluding observations focuses on the role of the Coordinating Board. Appended is a list of national advisory committee members. (Contains 27 references.) (DB)

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# STATE STRUCTURES FOR THE GOVERNANCE OF HIGHER EDUCATION

## Texas Case Study Summary

A Report from

**THE CALIFORNIA  
HIGHER EDUCATION  
POLICY CENTER**

Spring 1997

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# **State Structures for the Governance of Higher Education**

## **Texas Case Study Summary**

By Kathy Reeves Bracco

Spring 1997

A Technical Paper Prepared for  
State Structures for the Governance of Higher Education  
and  
The California Higher Education Policy Center

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## Preface

State Structures for the Governance of Higher Education is a national research project concerning state governing structures for higher education. This project was conducted by The California Higher Education Policy Center with support from The Pew Charitable Trusts and The James Irvine Foundation. The purpose of the research is to better understand how states differ in the design of their governance structures, what difference in performance can be related to choice of governing structures, and how structure affects the strategies available to state policy makers with regard to the state's higher education system.

The products of the study include nine different publications: seven case studies, a comparative report, and an annotated bibliography. The *case studies* provide separate summaries of higher education governance for the seven states in this project: California, Florida, Georgia, Illinois, Michigan, New York, and Texas. The state systems of higher education examined in these studies include public and private postsecondary institutions as well as the arrangements for regulating, coordinating and funding them. Case study research was conducted between September 1994 and September 1996. For each state, researchers collected documents, examined archival data, and conducted interviews to obtain multiple sources of information about context, system design, governance structures, and performance. Over 200 interviews were conducted with state legislators, legislative staff, representatives from the governor's office, representatives from state budget and research agencies, state higher education agency officials, system and institutional presidents, chancellors and board members, and faculty. Documents reviewed include state budgets, master plans, statistical reports, board agendas, system histories, and newspaper accounts. All case study reports were reviewed for accuracy by knowledgeable individuals within the state.

Following the completion of the case study reports, a *comparative study* was developed to provide an interpretive synthesis of the data in the case studies. An *annotated bibliography* has been compiled to highlight relevant literature on governance in higher education, government, business, and K-12 education. The bibliography also includes several theoretical pieces that helped to frame the conceptual design of the research.

Throughout the project, the research team was guided by the advice of a National Advisory Committee comprised of 18 experts in higher education governance issues. We would like to thank each of the committee members for their assistance in this project (their names are listed in the Appendix to this case study). In addition, we wish to thank the following individuals for

their assistance in reviewing drafts of the case studies: Kenneth Ashworth, William Barba, Joseph Burke, Raymond Cardozier, Patrick Dallet, Cameron Fincher, Edward Hines, David Leslie, Marvin Peterson, William Pickens, Stephen Portch, Jack Smart, and Richard Wagner.

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*This case study synthesizes interview data with other sources to paint a descriptive picture of governance and related issues facing Texas' higher education system. It is based on documents gathered from public offices, higher education institutions and relevant publications. Interviews with state officials, education administrators, board members, faculty, and staff took place in May, July and September of 1995.*

## **State Context**

With over 18 million residents, Texas is the second most populous state in the country. It is a very diverse state (25 percent Hispanic, 12 percent African-American, 2 percent Asian) with a rapidly growing Hispanic population. The population in Texas grew by more than 2.76 million people in the 1980s, a 19.4 percent increase, compared to a 9.8 percent increase nationally. Only California and Florida experienced greater growth in that decade. Texas' population is projected to increase by an additional eight percent between 1995 and 2000, with the greatest growth continuing to be concentrated in urban areas.<sup>1</sup>

Compared to the six other study states, Texas residents are relatively young and poor. As Table 1 indicates, Texas has the highest percentage of its population (39 percent) under the age of 24, and ranks at the bottom of case study states in terms of per capita income. In addition, when measured by Aid to Families with Dependent Children, poverty in Texas is higher than in any of the 50 states.<sup>2</sup> While Texas is second among states in this study in the percentage of the population with a baccalaureate degree and about average in percentage of the population with a graduate degree, it also has the highest dropout rate (with Florida) of the study states and one of the nation's highest illiteracy rates (33 percent).<sup>3</sup> Texas is first among states in this study in percentage of the population who do not speak English in the home.

Table 1				
<b>Contextual Variables for Texas Compared to Selected States</b>				
(Numbers in Parentheses Represent Rank Among the Seven Study States)				
<i>Contextual Variables</i>	<i>High (1-2)</i>	<i>Average (3-5)</i>	<i>Low (6-7)</i>	<i>U.S. Average</i>
Population (in Millions) (1995)	18.7 (2)			
Per Capita Income (in Thousands) (1995)			20.7 (7)	22.8
Potential Tax Revenue (1995-96)*†		93 (5)		100
New High School Graduates per 1,000 population (1995-96)†		9.6 (3)		9.4
Role of Private Higher Education§		Limited		
Role of Governor‡			Weak	
% of Population with Associate Degree (1990)			5.2 (6)	6.2
% of Population with Baccalaureate Degree (1990)	13.9 (2)			13.1
% of Population with Graduate or Professional Degree (1990)		6.5 (4)		7.2
% of Population 24 Years Old or Younger (1995)	39.1 (1)			25.5
% of Population that is Anglo (1990)		75.2 (4)		80.3
% of Population Who Do Not Speak English in Home (1990)	25.4 (2)			13.8
% of Population in Poverty (1994)	19.1 (1)			14.5
High School Dropout Rate (1992 to 1994 Average)	12.1 (1)			9.0
<p>* This figure is expressed as an Index: National Average = 100.</p> <p>Sources: Unless otherwise noted, data are drawn from <i>Chronicle of Higher Education Almanac</i> 43, no. 1 (September 1996), pp. 98-99.</p> <p>† From K. Halstead, <i>State Profiles for Higher Education 1978 to 1996: Trend Data</i> (Washington, D.C.: Research Associates of Washington, 1996), pp. 85, 88.</p> <p>§ From Task Force on State Policy and Independent Higher Education, <i>The Preservation of Excellence in American Higher Education: The Essential Role of Private Colleges and Universities</i> (Denver: Education Commission of the States, 1990), pp. 30-32.</p> <p>‡ From J. M. Burns, J. W. Peltason, and T. E. Cronin, <i>State and Local Politics: Government by the People</i> (Englewood Cliffs, NJ: Prentice-Hall, 1990), p. 113.</p>				



In the mid-1980s, Texas underwent a widespread recession as a result of the depression in the oil and gas industry. The economy has been recovering in the 1990s, while the rest of the country was in a recession. The state has been able to diversify its economy, particularly by attracting many companies moving from California in the early 1990s.<sup>4</sup> Diversification and growth contribute to what many describe as a generally healthy economy in the state right now. Growth, however, is much slower than it has been, and with increasing demands on state services, the competition for state resources is intensifying.<sup>5</sup>

There is no state personal or corporate income tax in Texas, and most of the state's revenue comes from sales and property taxes. In the past, a great deal of revenue was generated from a tax on natural resources, and as this has decreased, property taxes have increased. The lack of an income tax, say some of our respondents, makes it very difficult for the state to support its public services. According to one university administrator, "Texas is a state that is allergic to taxes," and the citizens make many demands that they are unwilling to pay for.

State General Revenue Appropriations in 1996–97 were \$44.5 billion, an increase of 11.1 percent over 1994–95.

A rising prison population, increased federal mandates, and court-ordered reforms in public schools, prisons, and mental health facilities have prompted increased spending in these areas. A recent report notes that the state's revenue system is not keeping pace with the state economy's expansion.<sup>6</sup>

While funding for higher education increased during the five years prior to our visit, some individuals said that higher education has been and will continue to be squeezed in the state budget process, as it is one of the few areas in which the Legislature has discretion about how much money to spend. Many other areas of the budget have spending amounts mandated by court order. Higher education has not seen the decreases in actual dollars in Texas that it has seen in other states, but it has lost in its total share of the state budget. Between 1984–85 and 1994–95, the state's allocation to public higher education as a percentage of total tax revenues went from 18.4 percent to 12.2 percent.<sup>7</sup> Per student general revenue appropriations over this decade increased from \$4,043 to \$4,690, a 16 percent increase. When inflation is taken into account, however, per student appropriations in constant 1984 dollars decreased by 16 percent between 1984–85 and 1994–95.<sup>8</sup> General revenue funding for higher education in the 1996–1997 biennium was \$6,288.8 million, an increase of \$428.9 million, or 7.3 percent over the previous biennium.<sup>9</sup>

There is concern among higher education officials that increasing demands for other state services, such as corrections, K–12 education, and welfare programs will continue to eat away at higher education's share of the budget. Additional concerns are raised by the impending changes due to the "devolution" of federal programs, which will place increasing pressure on the state to meet social service needs for health and welfare.

## **Political Culture**

In Texas, Democratic lawmakers controlled the state elected offices for many years. This balance of power shifted somewhat in the 1994 elections. In 1995–96, the Governor was a Republican, the Lieutenant Governor a Democrat. Both the House and Senate were controlled by Democrats, though there were significantly more Republicans after the 1994 election than there had been previously. Several of those we spoke with said that even though the composition of the Legislature is changing in terms of party affiliation, the changes in philosophy of legislators have been minor. The power shifts in Texas, therefore, may be less significant than in some of the other study states.

Several of the individuals we interviewed stressed that state politics are based on local institutions and local issues, and that this creates some resistance to centralization. A legislator, for example, told us that this is a system in which political turf is defended at all costs. “There is a chamber-of-commerce mentality” in most of what is done, said one higher education official. Institutions of higher education, remarked another, “are seen by legislators as the equivalent of a public works project in their district.” Some attribute these attitudes to the size of the state and its five distinct regions, divided along geographic lines.

## **Governor and Lieutenant Governor**

Texas is generally referred to as a state with a constitutionally weak Governor.<sup>10</sup> The Governor is described as having very little power in the budget process. The current Governor, Republican George W. Bush, defeated incumbent Democrat Ann Richards in the 1994 elections. The Governor’s main power comes through the appointments that he or she makes. Though the Governor does have a line-item veto and has control over numerous statewide appointments, most of our respondents agreed that it is the Lieutenant Governor and the legislative leadership that set policy in Texas.

The Lieutenant Governor, who serves as the head of the state Senate, is regarded as the most powerful elected official in the state. One individual served as Lieutenant Governor for 18 years, adding to the power of that office. He was described by some as almost dictatorial because of his influence in the Legislature. With the ability to appoint the Senate committees, including the all-important fiscal committee chairs, the Lieutenant Governor has significant influence on all state services. The last two individuals who served in the office were described as supportive of higher education, a condition most described as extremely important to the maintenance of state support to higher education over the past two decades.

## **Legislature**

The Texas Legislature meets only once every two years, from January to May. Budgets are developed on a biennial basis. The Senate has only 31 members, so it is, according to one university administrator, “a nice little club,” very “collegial.” Senators may introduce what are

known as “local bills,” which in theory affect only the area of the individual who has introduced it. Senatorial courtesy applies to these bills, guaranteeing their passage. Again, this is a reflection of Texas’ strong resistance to any centralized decision-making over what are considered to be local issues.

According to the *Texas Charter for Public Higher Education*, adopted in 1987, the role of the Legislature is to set “broad policy while delegating implementation to appropriate officials.” The Legislature’s main role with regard to higher education involves financing the public system. It fulfills this role by authorizing funding methods to promote educational quality, demanding accountability, and demanding effective resource management.<sup>11</sup>

The key players in higher education, by most accounts, are the Lieutenant Governor, the Speaker of the House, and the chair of the House Appropriations and Senate Finance Committees. The Governor and the chairs of the House Higher Education Committee and Senate Education Committee are mentioned less frequently as playing a significant role; these two committees deal with issues not related to funding, such as the transfer of institutions from one system to another.

The power of the Legislature relative to the Governor is evidenced by a recent attempt by the Legislature to avoid line-item vetoes in the higher education budget. When a previous Governor threatened to use the line-item veto for certain areas of the higher education budget, the Legislature combined all items into one lump-sum appropriation for higher education. They then provided detailed directions in supplemental language about how the appropriation was to be used. This tied the hands of the Governor, whose only choice would have been to veto the entire higher education appropriation.

The power structure in Texas policy making may best be exemplified by membership on the Legislative Budget Board (LBB), a bipartisan agency charged with preparing the first budget bill in each legislative session. The LBB, established in the state constitution in 1949, includes the Lieutenant Governor and the Speaker of the House, the chairs of the Senate Finance and State Affairs Committees, chairs of the House Appropriations and Ways and Means Committees. Two additional senators are appointed by the Lieutenant Governor and two additional representatives by the Speaker.

The board’s bipartisan staff receive an estimate of available revenues from the state comptroller’s office, then use that estimate to develop the preliminary budget.

Under the current Lieutenant Governor, the staff of the budget board work closely with the staff of the four main offices in the Senate and House to hammer out the budget. Previously, the legislators themselves were much more hands-on in the development of the budget, holding public hearings and determining budget priorities. Now it is the staff who conduct the public hearings. The LBB staff provide technical assistance to the House Appropriations and Senate Finance Committees.

A number of our respondents pointed out that the proliferation of court mandates in the state present a continuing problem for developing the budget. In putting together a budget, the LBB must first cover everything that is under court order. This includes such things as K–12 education, prisons, etc. According to one university administrator, it basically includes everything except highways and higher education. As a result, the LBB always comes up with a projected deficit for higher education, until a revised revenue estimate is received from the comptroller's office.

The abundance of court mandates may contribute significantly to the inability of the Legislature to respond to crises in the state. Often, the Legislature cannot respond to a crisis because legislators are focusing on other mandates. When that happens, a new mandate often comes from the courts to force the Legislature to attend to the new crisis. This process diminishes the Legislature's flexibility in setting priorities and shifting resources.

It is difficult to talk about priorities in Texas because priorities change from session to session. In the 1995 legislative session, K–12 education was a key focus as the Legislature undertook a sweeping change of the education code. In the previous session, corrections received the most attention. The change in priorities is seen by those we spoke with as somewhat cyclical. But according to one political staff member, higher education is always a priority with the Legislature, even if it is not overtly stated.

## **Issues for Higher Education**

Most of our respondents agreed that access is and will continue to be a key issue for the state in terms of higher education. Currently, there are approximately 800,000 students enrolled in public higher education in the state, with about 50 percent enrolled in community colleges. The 50 public community college districts, the public technical college system, and three of the public universities are considered open-admissions institutions.

The traditional emphasis on access to higher education in Texas is becoming more and more problematic with the increasing diversity of the youth population. Projections of enrollment growth over the next decade show that if minority participation in higher education remains at the same level that it is today, the state can expect an increase of 100,000 to 250,000 students. If minority participation rates were to increase to the same level as participation rates for Anglos today, the growth would be about 400,000 students, a 50 percent increase.<sup>12</sup>

During the state's recession in the mid-1980s, the Legislature, in recognizing the role of higher education in economic development, began to consider access to state colleges and universities as a key component in improving the state's long-term economic performance. According to a community college representative, work-force training and addressing the literacy problem in the state are now key priorities for higher education—in order to enhance economic development. Several university administrators pointed to the need to improve the preparation

of students coming out of high schools if the state is to maintain its commitment to access. According to a university president, the number of high school dropouts and the poor test scores coming from high school students must be addressed if the state is going to compete on a national and international level. Several administrators indicated that they are working with local schools in partnership activities to improve the preparation of high school students.

Enhancing the participation of minority students in higher education will also be critical to the continued economic development of the state and each of its regions. Currently, nearly 23 percent of the state's Hispanic students and 20 percent of African-American students fail to finish high school.<sup>13</sup>

## **Characteristics of the Texas Higher Education System**

There are over 150 institutions of higher education in Texas, including a combination of two- and four-year, public and independent, upper- and lower-division, and technical and professional institutions. Texas ranks fourth nationally and third among the study states in terms of the number of colleges and universities. As Table 2 indicates, almost 90 percent of the enrollment in Texas higher education is in public institutions, the greatest percentage of any of the study states. Yet the state is about average among states in this study in enrollment in public institutions per 1,000 population.

Relative to other states, Texas has a fairly low-cost system of higher education. Texas ranks 29th in terms of state per-student appropriations, and 45th in total support (when appropriations, tuition, and fees are taken into account).<sup>14</sup>

<i>System Characteristics</i>	<i>High (1-2)</i>	<i>Average (3-5)</i>	<i>Low (6-7)</i>	<i>U.S. Average</i>
Total Degree-Granting Institutions (1994-95)		178 (3)		
Public Four-Year Institutions (1994-95)	40 (2)			
Public Two-Year Institutions (1994-95)	65 (2)			
% of Enrollment in Public Institutions (1994)	88.3 (1)			78
FTE Students per 1,000 Population (Public Institutions Only) (1995-96)*		33.0 (3)		31.5
Participation Ratio: Public FTE Students per New High School Graduate (1995-96)*		3.45 (3)		3.28
% of High School Graduates Going on to Higher Education Anywhere (1994)†			50.4 (6)	57.3
State Appropriations plus Tuition Revenues per FTE Student (1995-96)*		\$6,540 (4)		\$7,020
Sources: Unless otherwise noted, data are drawn from <i>Chronicle of Higher Education Almanac</i> (September 1996), pp. 98-99. * Halstead, <i>State Profiles: Trend Data</i> (1996), pp. 85, 88. † Halstead, <i>Higher Education Report Card 1995</i> (Washington D.C.: Research Associates of Washington, 1996), p. 37.				

Public higher education in Texas includes a mix of large systems, smaller regional systems, free-standing campuses with individual boards, and independent colleges and universities, all of which fall under the purview the Texas Higher Education Coordinating Board (THECB). Table 3 lists the public universities and their enrollments.

Table 3

**Public Universities and Enrollments (Fall 1996)**

(Does Not Include Health Sciences Institutions)

<b>System/Institution</b>	<b>Enrollment</b>	<b>System/Institution</b>	<b>Enrollment</b>
<b>Texas A &amp; M Univ. System</b>		<b>Univ. of Texas System</b>	
Prairie View A & M University	6,167	University of Texas, Arlington	20,544
Tarleton State University	6,369	University of Texas, Austin	48,008
Texas A & M International University	2,677	University of Texas, Brownsville	2,623
Texas A & M University*	38,630	University of Texas, Dallas	9,378
Texas A & M University, Galveston	1,202	University of Texas, El Paso	15,386
Texas A & M University, Commerce	7,457	University of Texas, Pan-American	12,682
Texas A & M University, Texarkana	1,145	University of Texas of the Permian Basin	2,193
Texas A & M University, Corpus Christi	5,671	University of Texas, San Antonio	17,547
Texas A & M University, Kingsville	6,113	University of Texas, Tyler	3,459
<b>West Texas A &amp; M University</b>	<b>6,481</b>	<b>Univ. of Houston System</b>	
<b>Texas State Univ. System</b>		University of Houston	30,774
Angelo State University	6,195	University of Houston, Clear Lake	6,968
Lamar University, Beaumont	8,417	University of Houston, Downtown	7,947
Lamar University, Orange	1,513	University of Houston, Victoria	1,795
Lamar University, Port Arthur	2,475	<b>Other Institutions</b>	
Lamar University Institute of Technology	1,611	Midwestern State University	5,643
Sam Houston State University	12,564	Stephen F. Austin State Univ.	11,683
Southwest Texas State University	20,776	Texas Southern University	7,973
Sul Ross State University	2,518	Texas Tech University	24,717
Sul Ross State University, Rio Grande College	866	Texas Woman's University	9,747
		University of North Texas	24,957
* This refers to Texas A & M's flagship campus at College Station. Source: Texas Higher Education Coordinating Board, "Institutions of Higher Education in Texas," 1997 (www.theccb.state.tx.us), unpaginated.			



There are currently four primary university systems in the state: the University of Texas system (nine universities, four health science centers and the M. D. Anderson Cancer Treatment Center); the Texas A & M system (ten universities and one health science center); the University of Houston system (four universities); and the Texas State University system (five universities, one upper-level center, and three two-year, lower-division institutions). Each of these systems has a separate system office, headed by a chancellor. Each institution within the system is headed by a president. Of these four systems, only Houston is a regional system, with all four campuses in the greater Houston area. While the Texas State University system consists of similar institutions with similar missions, the other three primary systems include a flagship institution and then a variety of institutions with differing missions and capacities.

There are two additional smaller systems: Texas Tech University (one university and one health science center) and the University of North Texas (one university, one health science center). These systems do not have a separate system office. There are currently four institutions—Midwestern State University, Stephen F. Austin State University, Texas Southern University, and Texas Woman’s University—that remain as free-standing institutions with their own individual boards of regents.

Each university system and free-standing institution is governed by a nine-member board of regents that is appointed by the Governor. Each regent serves a six-year term.

The public higher education system also includes 50 community college districts with over 70 campuses that enroll over 400,000 students. Each community college district has its own board of trustees, elected locally. There is no statewide board for community colleges. The Texas State Technical College system enrolls approximately 8,000 students and consists of three two-year campuses that have an emphasis on technical training.

The Texas higher education system also includes 40 independent colleges and universities and one independent medical school. Although these institutions must obtain a certificate of authority from the Coordinating Board to grant degrees in the state, their programs are not subject to review or approval by the board.

## **System History**

Senior institutions in Texas have developed in a variety of ways. Some were created as general-purpose, state-supported institutions. Others began as teachers’ colleges and gradually developed into comprehensive institutions. A few began as private or public junior colleges, and then developed into four-year institutions under state control. Still others began as upper-division institutions, though at least four of these have expanded to include the lower division as well. Some higher education officials suggested that most of the development—including the conversion of two-year colleges into four-year institutions and the development of upper-division institutions—were responses to growth rather than decisions based on good, rational planning.

The governance structure has evolved substantially over the past century. The first “system” of institutions was the State Board of Normal Schools, established in 1911, which eventually became the Texas State University system. The composition of the individual systems, particularly of the University of Texas (UT) and Texas A & M University (A & M), is continually changing as increasing numbers of campuses are being incorporated into one of the two systems. Many of our respondents speculated that the free-standing campus with the individual board is becoming a “dinosaur” in Texas, and that increasingly Texas will move toward having only the two large systems. Free-standing institutions with individual governing boards, said one respondent, are “disappearing fast.”

### **Organization and Structure**

The higher education system in Texas is generally described as “not neat,” “not rational,” “ever-changing,” and “unplanned.” “We have an amoebic system,” said one legislative staff member. The fact that the composition of the individual systems changes regularly contributes to this notion. No one could describe for us an educational rationale for the various systems and governance arrangements. Rather, the structures are believed to be the result of political influence and the political process. “It’s a crazy way to do it, but it’s grown up over time and it’s hard to change,” said one higher education official. Since Texans value local control and a weak central government, said one political staff member, chaos in the system will most likely continue. The result, one respondent argued, is a system that has needless duplication. Others believe that the two main systems have become too large and unwieldy.

While Texans like to laugh at the somewhat chaotic way in which their system of higher education is organized, they are not for the most part eager to change the current structure. In 1989, the Coordinating Board established a special committee on statewide governance of higher education to examine possible changes to the organization of higher education. Citing problems such as an inability to conduct statewide planning, insufficient regional coordination, insufficient buffering of institutions from the legislative process, and a continuing compromise in the quality of the flagship institutions in the state, the committee recommended a new structure for Texas higher education. This new structure would include only four systems, reorganized to include a smaller UT system, a smaller Texas A & M system, and two additional systems, one focused on undergraduate education, the other including a variety of types of institutions.<sup>15</sup> One of the main problems with these recommendations was that their implementation would have upset the established balance of power. One respondent said that the people in Houston and Lubbock did not agree with the recommendations because they saw the change in structure as limiting their ability to develop a university of high prestige. Any set of recommendations that established some systems as more prestigious than others, or grouped institutions in such a way as to emphasize high versus low status would not be acceptable. Another respondent argued that the plan to regionalize some of the systems would have pitted one portion of the state against another, and this was not desirable. The report’s recommendations, therefore, were never adopted.

Many of our respondents argued that although the system is not rational, it works pretty well. For example, one political staff member argued that while the system would be easier to understand if all institutions fit into nice organizational boxes, institutions have done a good job of trying to address statewide issues and needs. A former president suggested that the lack of logic to the structure could be problematic if there were a great deal of political competition among institutions as they vied for funds, but this has not been a problem in Texas because of the formula funding process.

### **South Texas Initiative**

The biggest changes to the structure and composition of the higher education systems in the state came as a result of what is known as the South Texas Initiative. In the mid-1980s, a group of institutions in the southern part of the state, a section of the state with a significant Hispanic population, were concerned that they did not provide sufficient program offerings or enrollment opportunities. A lawsuit was filed in 1987 by the Mexican American Legal Defense Fund (MALDEF) on behalf of the League of United Latin American Citizens (LULAC), claiming that there were inequities of opportunity for higher education in the South Texas region.<sup>16</sup> The lawsuit accused the state of discriminating against Mexican Americans, citing low spending on higher education and the limited number of graduate programs (less than one percent of the state's doctoral programs) in the region.

A lower court found in favor of MALDEF, but this decision was overturned by the state Supreme Court. The Supreme Court found that the state had not intentionally discriminated against Mexican Americans.

While the Supreme Court ultimately found in favor of the state in this lawsuit, the Legislature took an active role in trying to address some of the concerns brought about by the South Texas institutions. The Legislature called upon the University of Texas and Texas A & M systems to bring some of the South Texas institutions into their systems in order to build up those campuses. As a result, two institutions were incorporated into the UT system, and three into the A & M system.

The incorporation of institutions into the two large systems was seen as one way of upgrading these institutions by giving them more political clout. In addition, significant funds were appropriated by the Legislature to South Texas/Border Initiative schools to allow for new buildings, new faculty, and new programs. In 1993, for example, the Legislature approved a \$460 million package for the nine colleges and universities in the Texas border region, which has resulted in the introduction of nearly 100 new academic programs, hundreds of additional faculty members, new buildings, and renovations.<sup>17</sup> This included \$96.4 million to improve and expand undergraduate, graduate and doctoral programs, compared with \$35.2 million for new programs in the 1991–1993 biennial,<sup>18</sup> and \$13 million in the 1989–1991 biennial.<sup>19</sup> According to one administrator, for a time it seemed that a geographic test was used for

approval of doctoral programs, and only those in the southern part of the state would be approved. He thinks that there now appears to be a greater feeling of equity of opportunity for higher education in the southern region. The Coordinating Board says that no such test was ever employed.

The infusion of money and expansion of program offerings into the South Texas region has resulted in enrollment surges at many of the South Texas institutions. Texas A & M International saw a 57 percent increase in enrollment from fall 1993 to fall 1996. Enrollment at the University of Texas, Brownsville, and Texas A & M, Corpus Christi, increased 37 percent and 26 percent, respectively, during the same period.<sup>20</sup>

### **Texas Higher Education Coordinating Board**

In 1965, the Texas Legislature created the Texas Higher Education Coordinating Board (THECB) with responsibility for achieving "excellence" in college education through unified development of the system, efficient and effective use of resources, elimination of duplication in program offerings and facilities, and advocacy for adequate resources for higher education institutions. The board was initially established under Governor John Connally to determine where new campuses were needed, to contain growth, and to help the Legislature police itself. One former politician suggested that the board was "an attempt by the Legislature to limit its own discretion." The board "coordinates the disorganization," according to another elected official.

The board advises the Legislature on higher education issues. It is responsible for preparing a master plan for higher education and for preparing funding formulas for use by the Legislature. In addition, the board is responsible for approving new degree programs and some construction processes. According to one staff member, the Coordinating Board should be seen as an impartial and objective source of information, which can be provided with or without recommendations.

There are approximately 270 employees at the Coordinating Board. At least 90 of those are part of the student loan program, which is self-supporting, and another 50 or so are paid through special grants, primarily from federal dollars. About 130 board employees, therefore, are supported by the state budget.

The Coordinating Board is made up of 18 members appointed by the Governor to six-year terms. The Governor also appoints the chair and the vice chair of the board. Typically, according to the commissioner of higher education, when a new Governor comes into office, the chair will step aside or be replaced.

The commissioner of higher education is appointed by and serves at the pleasure of the board. There have been some attempts to have this position appointed by and accountable to the Governor, but these attempts have not been successful. The current commissioner has been in

this position for 20 years. Each Governor, with the exception of Ann Richards and George W. Bush, has come into office with the intention of firing the commissioner, but to no avail. One staff member attributed this in part to the way that board appointments are managed, and to the independence of the board. Another respondent said that the commissioner has done a marvelous job of balancing institutional aspirations against the overall needs of the state, and the board has been smart enough to realize that. A former institutional president suggested that the commissioner is “brilliant” and is able to win “through logic and argument” rather than relying on personal relationships or lobbying.

A number of our respondents said that the Coordinating Board plays an important and needed role in Texas. To one former member, the Coordinating Board limits the proliferation of graduate degrees, and plays an integral role in the formula-funding process. A former regent of the UT system said that the primary role of the board is to avoid unnecessary duplication in the state, and he believes that they do quite well in this regard. The Coordinating Board members, he argued, are strong advocates of the public purposes and functions of higher education in the state, and serve to encourage greater public commitment to the enterprise.

There is generally a “love-hate” relationship between the Coordinating Board and the institutions and between the board and the Legislature, according to one political staff member. Institutions and the Legislature appreciate the Coordinating Board for some of their actions and services, but they are also quick to blame and criticize the board for others.

The structure of higher education in Texas contributes to the adversarial relationship established between the systems, the Legislature, and the Coordinating Board. There is very little filtering coordination that takes place at the system level, and therefore difficult decisions are passed along to the Coordinating Board. That is, the systems typically do not want to deny campus requests for new programs, and therefore they leave this responsibility to the Coordinating Board. The board then tries to serve as a countervailing force to some of higher education’s parochial interests, acting as the guardian of the interests of higher education as a whole. This often leads to conflict, pitting the board against the wishes of the system and the institutions. “This is the best show in town,” said one Coordinating Board staff member. “We have terrible shoot-outs here and an incredible amount of political pressure over such things as programs and budgets.” A legislator suggested that the board serves as the “scapegoat” when the systems need to have someone to blame. A former president said that the conflict is “inevitable” because the system board must play the role of advocate for its institutions while the Coordinating Board has the task of referee.

To some, the problem is that the Coordinating Board does not spend its time wisely. One university administrator argued that the Coordinating Board spends time on minor issues, or issues of procedural accountability, rather than issues of importance to the state as a whole. Another argued that the board’s excessive reliance on regulations prevents it from enhancing the quality of the system. A third suggested that the board spends an inordinate amount of time



on such issues as examining whether a small proprietary school should be authorized to award a certain degree—something that is inconsequential to most of Texas higher education.

The antagonistic relationship extends to the Legislature as well. One respondent suggested that the Legislature often “uses” the Coordinating Board. When the Legislature faces a problem that should be settled legislatively but is too hot politically, it will assign the matter to the Coordinating Board. There are disagreements among legislators as to the appropriate role of the board. For example, a former politician argued that the Legislature—not the Coordinating Board—should perform the functions of centralized planning since the Legislature is responsible for the distribution of dollars. In contrast, the Senate Education Committee recently proposed that the Coordinating Board take on a stronger and more centralized approach to planning. A faculty member argued that allowing the Legislature to handle planning would result in chaos, and create a situation where an institution’s future would depend too much on the political skills of its president.

A political staff member argued that one of the biggest weaknesses of the Coordinating Board is the fact that its enabling legislation does not guarantee limits to legislative intrusion on the processes and procedures assigned to the board. He cited what he called the “fiasco” with the South Texas Initiative as a good example of this. The Legislature took it upon itself, he said, to mandate specific degree programs at specific campuses, assuming the powers assigned to the Coordinating Board. A former board member agreed, saying that the board loses out when political leaders will not let the system work the way it was set up to work. A faculty member argued, however, that while it is true that the Legislature occasionally preempts the Coordinating Board, there is no way to avoid this short of giving the board total autonomy, which would, in his view, be undesirable.

Both the Coordinating Board and the Legislature have made attempts to improve their relationship with each other. The Coordinating Board, most agree, has always been weak in legislative relations, but it is now recognizing the need to do more in the political arena. In June 1995, the Governor, Lieutenant Governor, and Speaker of the House issued a statement saying that in the future no changes in system structure could be made without some approval or review by the Coordinating Board. There is not a great deal of optimism, however, about the extent to which that directive will hold.

## **Community and Technical Colleges**

Community and technical colleges in Texas enroll about half of the students enrolled in higher education in the state, including 76 percent of the entering freshman population. The open-admissions policy, low price and accessible locations attract many to the community colleges. Most individuals we interviewed believe that community colleges will have to play an even greater role in higher education to accommodate the anticipated enrollment increases over the next decade.

According to one Coordinating Board staff member, however, the structure of higher education in the state and the status of the universities mean that community colleges do not get the attention or support they deserve. Not all districts have a community college, and therefore there are communities that are underserved. Another staff member described the historical relationship between the board and community colleges as “benign neglect,” but said it is much improved now. The increase in the amount of federal money coming to the state through the Perkins Act, combined with a greater emphasis throughout the state on technical education and work-force preparation, have created a more integral relationship between the board and community colleges. A former president suggested that it is not benign neglect but simply a matter of responsibility; previously, federal and state funds for vocational and technical education were administered out of the Texas Education Agency, while the Coordinating Board was responsible for academic programs. Now, the Coordinating Board has responsibility for vocational, technical and academic programs, leading to much greater involvement.

Community colleges get about 46 percent of their budget from the state, with the rest coming from local funds. As recently as 1985, 61 percent of community college funding came from state funds. State funding for the colleges is formula driven—on a basis of dollars per contact hour. This is problematic, said one respondent, because the emphasis is on contact time rather than educational quality; institutions tend to stretch out contact hours, creating longer degree programs in order to increase funding.

The Coordinating Board recently adopted a quality review initiative, called institutional effectiveness, to address issues of access, labor market demand, placement, and quality in community college programs. Every four years, the board looks at a college to see if they are performing the mission established by the Legislature. They use an accreditation model to determine program effectiveness, with a focus on providing a developmental or formative evaluation. This model, according to one board staff member, has tied the board and community colleges more closely together.

The board does not approve construction and/or capital costs at the community colleges, leaving these decisions to the local boards. This results from the historical relationship between the state and the community colleges. The state, through its appropriations, provides support for instruction at the colleges, while the local community, through its tax base, provides for the physical plant and administration of the colleges.

The Texas State Technical College System includes three colleges and four extension centers offering two-year, technical degree and certificate programs. All colleges in the system are governed by a single board of regents. These institutions do not have a local tax base. The state uses the same formula for administrative and instructional activities at the technical colleges as for the community colleges.

There is tension in Texas between the community colleges and the Texas Technical College system. The technical colleges have a statewide mission, and thus receive the bulk (over 63 percent) of their funding through state appropriations, while community colleges receive about 46 percent of their funding from the state. In addition, technical colleges are not supposed to duplicate what community colleges do, but over time, the missions of the two have become blurred. The duplication in programs, as well as the fact that the technical colleges receive substantially more state support than community colleges, has led to animosity between the two systems.

## **Public Universities**

The University of Texas and Texas A & M University are the dominant systems in the state, and there are many who predict that Texas will eventually consist of only these two systems, plus the community and technical colleges. This has been the trend in recent years. As was mentioned earlier, however, the growth or demise of systems is primarily politically motivated, not educationally justified, and as political winds change, the structure of the university systems may continue to change as well.

The 1995 legislative session provides examples of how institutions are moved from system to system through the legislative process in Texas.

The Lamar University system was created by a powerful state senator who felt his district would be best served with a system that included its own Board of Regents. During the past several years enrollment at the university declined, and the current president became involved in a contentious relationship with the Lamar Board over what some have described as the board's micromanaging tendencies. When the senator who created the system was voted out of office in 1994, the state representative from the area stepped in. This representative felt that it was in the district's best interest to be part of a larger system, and came to the conclusion that the Texas State University system would provide the best match. The move appeared beneficial for both parties: the system would gain a set of institutions from an area with a great deal of political clout, while the institutions would remove a board that was at cross purposes with its president. Those we spoke with suggested that despite these benefits, this shift—which took place in 1995—would not have occurred without political involvement.

During the same legislative session, the senator from Laredo attempted to move the Texas A & M International University to the UT system. The legislation was introduced by the senator as a "local bill," meaning that as a matter of courtesy it was virtually guaranteed passage in the Senate. According to one university president, this bill came as a surprise to the institution. The House Higher Education Committee, while affording the bill a lengthy hearing, decided not to report the bill from committee. The representative from Laredo made certain that the bill did not get out of committee in the House. Attempts by the senator to amend the provision to other higher education bills failed, and the institution remains a part of the A & M system. As a result of the political battle that developed in this proposed shift, one university administrator



predicted that the hand of the Coordinating Board will be strengthened, giving them more say about which systems should absorb which institutions.

### **The University of Texas System**

The University of Texas (UT) system, with 14 institutions and approximately 145,000 students, is the largest university system in the state. The system is governed by a nine-member Board of Regents, considered to be the most prestigious gubernatorial appointment in Texas.

The system is coordinated by a chancellor's office, which focuses primarily on governmental relations. The system office coordinates systemwide activities and represents the institutions in the state Legislature and in Washington, D.C. In addition, the system office develops rules and guidelines (such as uniform systems of accounting) and transmits communications between the institution and the Regents. The chancellor said that it is through such areas as legal systems, asset management and governmental relations that a system provides scale economies, allowing smaller campuses to have a higher quality of service while all campuses benefit from economies of scale. One campus president agreed, saying that the value of the system is that it provides services in a more efficient manner than the campus could on its own.

The UT system is comprised of a set of very diverse campuses. From the flagship campus at UT Austin with over 47,000 students to small campuses with enrollments of less than 2,000, there is enormous variation in the system. UT Austin is a research institution with a full array of doctoral and professional programs. UT Arlington, El Paso and Dallas offer several doctoral programs, while UT Pan American and San Antonio offer only a small number of doctorates. The remaining institutions offer primarily baccalaureate degrees, with some master's programs. There is some disagreement about the extent to which there is mission creep within the system; some respondents said that once a campus joins the UT system, the campus staff and faculty want to add graduate programs and become increasingly like UT Austin; others argued that this is not the case and that each campus enjoys its unique mission. One president said that the institutions may differ in quality, but they are similar in their hope and their visions. He did not see this as problematic because of the size of the state; there is no need to worry about duplication when programs are so spread out, he said.

Priorities are set at the system level, according to the chancellor, but implementation is left to the campuses. For example, the system has said that salaries should be a priority in this coming year, but they are not likely to tell any campus how much of a salary increase to offer.

Smaller campuses have been drawn to the UT system for several reasons. First, the political clout of UT is enormous, much more than a small institution could ever hope to gain on its own. Second, the prestige that goes along with the UT name is something that many institutions seek. A former board member suggested that the system tries to improve the

quality of all institutions in the system. An administrator at UT Austin, however, said that the system needs to do much more in terms of institution building at the small campuses.

The benefits of the system are less evident to some at UT Austin. "We're part of the system for bureaucratic and funding purposes," said one administrator, "but we don't really think of ourselves as part of UT." Austin generally sees itself as a national university, with a very different scope and mission than the rest of the system.

### **Texas A & M University System**

There are 11 institutions in the Texas A & M University system, including a health science center, serving about 76,000 students. Three institutions were added to the system in September 1996, including one formerly private institution. The flagship institution, Texas A & M University, enrolls almost 40,000 students in an array of baccalaureate, master's and doctoral programs; enrollment at the rest of the institutions ranges from 1,200 to 10,000. Most of the institutions in the A & M system offer baccalaureate and master's degrees only, though three of the institutions offer a limited number of doctorates (one or two programs each). The Texas A & M system has made great efforts to strengthen its system in recent years through the addition of new institutions. An administrator in the A & M system justified adding smaller institutions to the larger system because it "solidifies our political base." In addition, the administrator continued, joining the A & M system helps those institutions both politically and educationally because of the added support they receive.

The A & M system expects to see about a 28 percent increase in students over the next decade. Accommodating this demand will be difficult, said one administrator, because the system will need to expand physical facilities.

### **Texas State University System**

The Texas State University System (TSUS) consists of five four-year institutions, with the fifth, Lamar University, recently added. There are also three lower-division institutions and one upper-level center. The four-year institutions have similar missions, and most have developed out of teacher's colleges. Approximately 57,000 students are enrolled in the system.

The system office, which is located in Austin, has a small staff funded by the Legislature. There is no flagship campus, so the political power that institutions in the UT and A & M systems gain by association with their flagships does not exist in this system. Presidents in the Texas State University System do most of their own lobbying, and although there is a system chancellor, the presidents report directly to the Board of Regents, which is divided into local committees to deal with specific institutional needs. The Board of Regents is responsible for policy setting, organization, and management of the institutions.

According to one president within the system, success in this system depends on the amount of special-item funding a president is able to obtain, and the amount of growth in his or her institution.

### **The University of Houston System**

The University of Houston (UH) system, with almost 50,000 students and four institutions, is small by comparison to the two primary systems. The chair of the UH Board of Regents, however, does not think that the system is disadvantaged by the smaller size. As a regional system, the University of Houston can focus on the issues and needs of a defined area. Because the Houston economy is so important to Texas as a whole, it is important for the state to pay attention to and support the system.

In the spring of 1995, the Houston system had a major shakeup in its top-level administration. The chancellor, presidents of two of the four institutions, as well as several other top administrators resigned, under threat of removal by the Board of Regents. The system had been losing favor with the Legislature in recent years, and there was concern among faculty and others that the administration was not doing its job.<sup>21</sup>

The Board of Regents has expressed interest in studying the governance of the system, in particular whether the system would not be better served by eliminating the separate system office and transferring those duties to the administration at the “flagship” University of Houston campus. Rather than making these changes right away, however, the Board appointed interim administrators to help turn the system around. The most notable of these appointments was the interim chancellor, William P. Hobby, the former Lieutenant Governor of the state. Hobby is well connected, is respected politically, and was brought in to stem what the Regents recognized as an increasing threat of reduced funding by the Legislature.

In addition to setting up task forces to study questions of governance and structure for the system, the board has done some strategic planning, and has identified six priority areas it will address. The first is expanding access and diversity, which focuses on what the chair has referred to as the “new Houston.” A second priority is working with the public schools to address the problem of under-prepared college students. Other priorities include: creativity and application of scholarship; globalism and international competitiveness; interactive distance learning; and accountability and public support. The chair of Houston’s Board of Regents said that the board knows that the money to address these issues will not all come from the state, so the Regents have looked for other ways of raising resources. The Regents have raised over \$300 million in endowment money to help address these problems.

### **Tuition**

Texas has historically had a low-tuition policy, believing that the best way to address access is through low tuition. The state is in the bottom ten nationally in terms of tuition charges. In

1995–96, average tuition and fees averaged \$1,624 at the four-year institutions, \$864 at the community colleges, and \$1,168 at the technical colleges. Texas students and families pay a much smaller proportion of the total cost of education (measured by state appropriations and tuition) than in the majority of the states.<sup>22</sup>

There is some discussion now about using tuition increases in order to pay for projected enrollment growth, but there is not general agreement that tuition increases are the answer. A former politician, for example, said that any increase in tuition would be part of the problem, not part of the solution. “Low tuition is good public policy,” he argued. A university board member argued that while there is a need for some tuition increases, these cannot be great because the major influx of new students will be minority and low-income students, and will not be able to pay if the price is raised too high. A legislative staff member said that tuition can play an important role in accommodating future demands, and that tuition must go up significantly. A former Coordinating Board member also said that increased tuition is necessary, arguing that low tuition is a subsidy of the rich.

Tuition is set by the Legislature for all four-year institutions. Every student pays the same tuition, regardless of the institution they attend. Tuition has been increasing at an incremental rate of \$2 per credit hour per year since 1985, and will continue to increase at that rate until 2000–01. Until 1995–96, institutions were not allowed to keep the tuition increase. However, they are now appropriated the increase.

The Legislature must appropriate tuition revenues for each public institution, based on an estimate of what the institution will raise in the coming year. The institutions cannot spend tuition revenues unless these have been appropriated by the Legislature. According to one university administrator, there is considerable debate and negotiation about the amount of tuition revenues that should be appropriated each year.

Institutions do have the ability to charge higher tuition at the graduate and professional level. In addition, institutions can propose certain general use fees at their campuses. These fees have increased significantly faster than tuition over the past few years. Recently, the Legislature passed a bill introduced on behalf of the UT system that allowed the governing boards to raise the general use fee to the same level as tuition (\$32 per unit for fall 1996). Some critics argue that this fee increase really represents a tuition increase.

The Legislature sets the minimum tuition rates for community colleges and the Texas State Technical College system. However, the individual governing boards set the actual tuition rates for their in-district and out-of-district students.

## **Independent Higher Education**

There are 43 independent higher education institutions in the state, including 39 colleges and universities, one college of medicine, and three junior colleges. Total enrollment at the

independent colleges and universities is approximately 98,000. The independent institutions include large, well-known institutions such as Southern Methodist University (with an enrollment of 9,251), Rice University (with an enrollment of 4,102) and Baylor University (with an enrollment of 12,391). Also included are small colleges with enrollments of less than 1,000 students. Many of the colleges and universities are religious institutions. There is one independent medical school, the Baylor College of Medicine. Independent institutions' share of total enrollment in Texas has declined significantly over the past century. While private higher education dominated the state in the pioneer days, independent colleges by 1940 had about one-third of the total college enrollment in the state, and this share has declined steadily; it is currently just above ten percent. This is due primarily to growth in the public sector, not to enrollment declines at the private institutions.

There are different viewpoints on the role of independent higher education in the state. One administrator commented, "Texas doesn't worry about private higher education." Others described the privates as "big players" who are active in the political sphere.

The state supports students at independent institutions through the tuition equalization grant (see section on Financial Aid in this case study). In addition, the state provides a direct appropriation of \$33.8 million annually to the Baylor College of Medicine. In 1995, the Legislature appropriated \$2.5 million to establish centers for teacher education at predominately minority, private, general academic institutions.

A private university president suggested that the role of private colleges and universities in Texas has developed by accident. The state has no formal policy or framework for the independent sector. According to a representative of the private colleges, the independent sector is regulated very little by the Coordinating Board. Institutions must obtain a certificate of authority from the Coordinating Board in order to grant degrees in the state, but the board has no program review or approval authority over the independent colleges and universities. A representative of the Coordinating Board argued that the private institutions support a strong role for the Coordinating Board, perhaps because they see little direct impact on themselves.

Most of our respondents agreed that there is unused capacity in the private sector, and these institutions could be better utilized to address the projected enrollment growth. One public university administrator suggested that private institutions will be expected to accommodate approximately 20 percent of the growth. Other respondents do not think this is a real possibility. According to one private institution president, the biggest barrier to fully utilizing private colleges and universities is that Texas is a low-tuition state and it is difficult for students to justify the cost of independent institutions. He said that the state will have to do more with the Tuition Equalization Grant if the privates are to be expected to absorb much of the growth in enrollment.

## **Financial Aid**

For those students with financial need, the state sponsors a number of need-based aid programs. The largest financial aid program is the Tuition Equalization grant, which is for Texas residents who attend independent institutions in the state. Students must be enrolled at least half-time to be eligible for the award. The award is need-based, and does not have a merit criteria. In the 1995–96 legislative session, funding for the tuition equalization grant program increased to \$37 million per year, from \$25 million the previous biennium. According to one political staff member, funding increased for two reasons: first, to accommodate some of the growing enrollment at the private institutions; and second, because of the political clout wielded by private colleges in the state. The maximum grant is set at \$2,500, half of what the state pays in general revenues for each student at a public institution. Students may receive an amount less than the maximum, depending on need. Approximately 25,000 tuition equalization grants were expected to be awarded in 1996.<sup>23</sup>

In addition to the Tuition Equalization Grant, financial aid in Texas includes the Texas Public Education Grant, a need-based grant for undergraduate and graduate students. By law, 20 percent of public tuition revenue is used to assist students who need aid; these funds are distributed through the Texas Public Education Grants.<sup>24</sup> The average award in 1993–94 for this program was \$704, with approximately 71,000 awards given. Other state grants include the student incentive grant (average award of \$323), and several targeted scholarship programs for nursing and accounting students.<sup>25</sup> The Coordinating Board administers these programs, as well as the Federal Stafford Loan programs (called the Hinson-Hazlewood College Student Loan Program in Texas).



## **Coordinating Processes for Texas Higher Education**

Understanding the work processes of Texas higher education is crucial in understanding how the system works. According to one university president, the chaotic nature of the work processes, combined with a weak central system, serves to maintain a prominent role for local politics in establishing and implementing state higher education policy.

### **The Budget Process**

The primary funding mechanism for public higher education in Texas is formula driven. The Coordinating Board, through the work of six committees (composed of institutional administrators, faculty, students, and lay persons), develops a series of formulas that deal with different elements of cost: instruction, institutional support, etc. The committees make assumptions about such issues as salary increases in order to arrive at their recommended formulas. The instruction formula, which provides nearly one-half of formula-generated funding, is based primarily on the mix of courses taught and the number of students enrolled. Essentially, a matrix is developed—by course and level of instruction—for each institution. Each institution receives exactly the same amount for each hour it teaches of a particular course.

A formula advisory committee, made up of committee chairs, faculty, and members of the public, makes recommendations to the commissioner. The commissioner recommends adjusted formulas to the board. In recent years the commissioner's recommendations have been based on his estimate of the amount necessary to bring per-student funding up to the average of the ten most populous states.

The commissioner's recommendations are rarely contested by the board, the presidents or the system chancellors. Once approved by the Coordinating Board, the formulas are sent to the Legislature, which decides at what level to fund each formula. While funding for each formula must be across the board, not all formulas are funded equally. For example, since faculty salaries have been the highest priority for the Legislature, the formula for faculty salaries is likely to be funded at a higher rate than say, the formula for libraries.

The formula appropriations made by the Legislature and approved by the Governor's office become the base-level appropriation for each institution. Formula appropriations are supplemented by non-formula elements of cost and "special items." While formulas are used

to develop lump-sum funding to each institution, they are not used as an allocation mechanism within the institutions, and each institution can allocate their own budget. There are expectations, however, that presidents will not deviate too much from the formula allocations outlined in the budget.

For 1996–97, the formulas were funded at approximately 87 percent, with a greater percentage of the salary formula funded as compared to the other formulas.

Formulas are widely regarded as the great equalizer in Texas. Most of the individuals we interviewed said that the formula process, though not perfect, keeps the institutions from getting into political battles over state resources. Interviewees described the formula approach as “equitable,” “fair” and “keeping us from tearing at each other’s throats.” While everyone thinks there are problems with the formulas, most of those we spoke with said that using formulas is much better than the alternative. Prior to the formulas, said one political staff member, Texas had funding based on clout, and legislators do not want to move back to that inequitable system.

One problem with the formula funding system, according to some of our respondents, is that it does not allow for the targeting of priorities. One university administrator said that the formulas are not based on any qualitative dimensions. Another argued that formulas do not adjust to state priorities like access for minority students or work-force preparation.

Some of those we spoke with suggested that the “special-item funding,” which involves appropriations to individual institutions for specific programs or activities, is a way for the Legislature to address priorities in the funding process. Special items can range from 7 to 20 percent of an institution’s annual budget. The problem with addressing priorities in this way is that this funding is, in effect, soft money that may or may not appear in the next budget cycle. There are also individuals who see special-item funding as “pork,” a way for legislators to fund their pet projects rather than to address state priorities.

There has been some discussion in the Legislature about decreasing the amount of money allocated to special items and increasing the allocation to formulas. One community college president said that special-item funding leads to a “break-down” of the equitable system that formulas try to preserve. The Legislature has asked the Coordinating Board to study the special-item funding process to determine whether this is an appropriate way to fund higher education.

### **The Permanent University Fund and Higher Education Assistance Fund**

While some institutions come out slightly ahead in the budget process due to the awarding of special-item funding, the real difference in funding for the systems comes from the Permanent University Fund (PUF). Income from this fund is treated as an endowment. The money is divided, with two-thirds going to the UT system and one-third going to the A & M system.



Some of the income is used as the guarantee for construction bonds. Income can be used for renovation, major library acquisitions, and major instructional and research equipment, subject to approval of the Board of Regents. After bond obligations are met, the remainder of funds goes to either UT Austin or to the A & M flagship campus for “excellence.” At one time, as much as \$90 million was available to UT Austin for excellence projects; that number is now down to about \$70 million. One respondent expressed concern that “excellence” has become fairly broadly defined. Others suggested, however, that the current president at UT Austin is trying to narrow the definition and truly focus on projects of excellence.

PUF funding is not available to all institutions in the UT and A & M systems—only to those that were part of the system in 1985 when the PUF criteria were last changed. Because a constitutional amendment would be required to increase the number of institutions eligible for PUF money, this is not likely to happen soon. Instead, those institutions, along with those not in either the UT or A & M systems receive construction money under the Higher Education Assistance Fund (HEAF).

HEAF money is distributed primarily through a formula that includes student population, complexity of programs, current physical facilities, and predicted growth at the institution. HEAF funds can only be used for four things: construction, remodeling, equipment, and resources for the libraries. The Legislature appropriated \$450 million to HEAF for the 1996–1997 biennium. Of that, \$350 million will be available to HEAF institutions and \$100 million will be set aside to establish an endowment fund similar to PUF.

### **Performance Funding**

The 1991 appropriations bill called on the Coordinating Board to develop and implement a new system of funding distribution based on performance. The bill did not specify how much funding should be allocated by performance criteria, but left that up to the board.

The Coordinating Board first proposed to institutions that five to ten percent of each institution’s appropriations, as calculated by the regular formulas, be set aside to be earned back based on a set of performance criteria.<sup>26</sup> Performance would be measured against a set of ten performance standards, some recommended by the Coordinating Board as measures of statewide concern, others selected by the institutions.

There were several objections to this proposal: first, institutional representatives thought that the amount to be earned back was too high, that it should be no more than two or three percent; second, they wanted the money to be added on top of the formulas, not taken away from institutions. The process of negotiating with 35 institutions to develop standards of performance and establish data collection procedures was very complex.

A second plan was then developed to address concerns about complexity and lack of data. Under this model, which was subsequently recommended to the Legislature, the Legislature

would decide how much of the total higher education appropriations should be applied to performance, either as an addition or a set-aside. The Coordinating Board recommended a number of possible performance measures, from which the Legislature would choose. The Legislature would then divide the money into pools of funding for each goal and all institutions would compete with one another. This second approach also brought criticisms from institutions regarding the performance measures, the distribution of funding, rewards for performance measures already accomplished, and inherent advantages or disadvantages that would accrue to institutions.

Ultimately, neither of these methods was implemented because the legislative advocates of performance funding lost their influential positions in the 1993 session, and institutions were able to convince the new power structure that the existing funding process should be maintained.

In the 1995 legislative session, however, Texas attempted to implement a performance funding process for all state agencies. According to a representative of the legislative budget board, this has worked very well in most state agencies, except for higher education. In higher education, he argued, no one knows how to measure quality. “We are too concerned with trying to be equitable and trying to treat everyone the same,” said this representative, and “this is not possible when we look at most institutions compared with UT Austin.”

The legislative budget board and others who were asked to put forth proposals for performance funding got “brutalized” by the Legislature, according to one respondent, because each legislator wanted to protect his or her local institution and was not interested in developing performance measures that might make a local institution look less effective. While this process seemed to work well for some state agencies, the local support characteristics of the higher education system prevented this type of performance system from being adopted.

## **Planning**

The general opinion among most individuals we interviewed is that there is little, if any, statewide planning concerning higher education in Texas. The Coordinating Board does have responsibility for developing a master plan every five years, but that plan is described as “very general.” The plan has never been implemented, according to one board staff member; “No one pays any attention to the results,” said another respondent. Coordinating Board staff members argued that—given the geography of the state, the broad variation in local needs, and the varied governance structure of the institutions—the board has resisted a highly centralized planning structure .

In 1987, the Legislature authorized the board to develop and regularly update a master plan. At the same time, the Legislature rejected a proposal by the Select Committee on Higher Education to enact specific missions for each public university. This was interpreted by many to mean that the development of a highly specific master plan was not politically viable. This

impression was reinforced when the board's first draft of a master plan was resisted by institutional presidents as too specific and prescriptive. Currently, however, the chair of the Senate Education Committee is proposing the need for a master plan "similar to California's," which is viewed by some as providing better control for the development of higher education. It remains questionable, however, whether systems would be more supportive of a stronger role for the Coordinating Board or the development of a more detailed master plan with highly specific missions for each institution.

While the master plan is seen as relatively ineffective, it does appear that the Coordinating Board engages in a number of processes that might be called "discreet planning."

The greatest influence on institutional planning may come through the establishment of the table of programs, which is a list of each institution's current academic programs and those they are authorized to plan. Each institution negotiates its table of programs with the Coordinating Board every five years in conjunction with the submission of a mission statement. The mission statements essentially serve as a rationale for the table of programs. Through this process, the Coordinating Board does have some control over statewide program planning.

A second form of "discreet planning" might be the enrollment projections developed by the board. These projections, according to board staff, have been used to foster enrollment management planning by institutions. In addition, the board can set enrollment limits for institutions. In this regard, the board has called institutions before it so they could present their enrollment management plans.

Program approval provides the board with another way to enhance statewide planning. One university administrator calls it one of the board's "big clubs," along with facilities approval. The Coordinating Board has the authority to review all new academic program proposals by public institutions in the state. There have been some suggestions that the state should control the program approval process by statute, but these suggestions have never been adopted. Most of our respondents said that program approval was an important role for the Coordinating Board.

Three criteria are used for approval of any proposed degree program: cost, need and potential quality. These criteria include whether the proposed program fits into the institution's mission and whether it would result in unnecessary duplication. Master's degrees are sequentially more difficult to obtain and given somewhat more rigorous review than bachelors degrees. Doctoral program review is the most demanding, and the board utilizes out-of-state consultants to examine these proposals. Some of our respondents said that the board focused most of its attention on the doctoral programs in the review process; the board argued that these reviews are simply more visible because of the use of outside consultants.

Some individuals suggested that there is a disparity in the way that campuses are treated in the program approval and review process. A university president, for example, argued that the “big boys” (UT and A & M), receive preferential treatment. Comprehensive institutions receive second priority, he said, while the community colleges are third. An administrator from UT commented that the only time UT Austin had a problem with the Coordinating Board in terms of program approval was during the South Texas Initiative, when they had one or two requests denied. Essentially, the University just withdrew its requests, and resubmitted them later, after the controversy had passed.

One of the problems in Texas has been that institutional or system plans for new programs rarely take statewide needs or capacities into consideration, setting the stage for conflict when these programs are considered by the Coordinating Board. For example, in 1995, three doctoral programs in nursing were proposed by UT institutions. The system approved all three proposals, sending them to the Coordinating Board to make the difficult decision as to which one—or ones—to approve. Moreover, institutions often do not pay attention to the enrollment plans of other institutions. As a result, several institutions have focused their recruiting efforts on the same geographic or program area, each of them overestimating their enrollment growth. Again, it is the role of the Coordinating Board to influence institutional planning from a statewide perspective.

The Coordinating Board also reviews existing doctoral programs through focusing on all doctoral programs in a given subject area statewide. The review process is described as no more burdensome than the internal review process established by many universities. There are two stages to the process. First, institutions conduct a self study of the program being reviewed. The material is sent on to the Coordinating Board, which gathers a committee of outside peer reviewers to look at the program. If the review is satisfactory, the review process ends at that point. If the committee raises significant questions, the committee conducts site visits to each campus to further examine the program.

The review process does result in the termination of some programs. At UT and Texas A & M, the eliminated programs were described as those that the systems wanted to discontinue anyway.

## **System Articulation**

Most of our respondents said that transfer and articulation between two- and four-year colleges in Texas do not work as well as they should, and that Texas does not realize the efficiencies that it might if it strengthened its transfer function. In 1990, approximately 35,800 students transferred from a public community college to a state university in Texas, compared with 32,600 in 1994.<sup>27</sup>

Coordinating Board staff members argued that the transfer function is receiving less emphasis than it should because of the lack of emphasis on the associate degree and the absence of a

common core for transfer among community colleges and universities in the state. There are exceptions, primarily among those institutions that have historically had a strong transfer orientation, but the focus of most community colleges now is further blurred by work-force and career preparation. In addition, the financial incentives for universities are to recruit freshmen, not to steer students to the community colleges.

According to one observer, the Coordinating Board has been essentially neutral on enrollment in community colleges, neither encouraging nor discouraging it. There is no general statewide effort to foster transfer, although there are local initiatives under way, particularly where a university and community college are located in the same community. The community colleges and universities have voluntarily developed a common course-numbering system by which similar courses at all colleges can be identified, thus fostering better transfer between institutions. The Coordinating Board does issue a guide to transfer curricula and transfer of credit, which includes approved transfer curricula for individual majors. In addition, the board makes final determinations in any disputes concerning transfer of course credit from one institution to another.

One Coordinating Board staff member said that there is more discussion of transfer now than there ever has been, but he attributed most of this talk to concerns over remedial education. According to this interviewee, universities are beginning to acknowledge community colleges, but they do so primarily through suggesting that remedial education should take place at the community colleges rather than at the universities; once students are “brought up to speed,” they can enroll in a four-year institution.

Many of our respondents cautioned that community colleges have a mission that is much larger than simply preparing students for transfer. They said that focusing too much on transfer and articulation ignores the other important contributions made by these institutions.

## **Information Collection**

The Coordinating Board is the primary agency responsible for data collection on higher education in Texas. Historically, information collection was designed from a regulatory perspective and as a basis for formula funding in order to respond to statutory requirements for collecting data in areas such as faculty workload, the Texas Academic Skills Program (TASP), and federal requirements (particularly regarding community college funding). In the past eight years, according to Coordinating Board staff, the board has been moving away from a regulatory focus and more toward implementation of a management information system.

The Coordinating Board collects data statewide, and regularly collects information on faculty assignments, enrollment by class, and student records. The board is able to track students across two- and four-year sectors, providing cohort data for each institution.

The Legislature requests both technical and policy information from the Coordinating Board. Every bill that is filed requires a fiscal note. The Legislative Budget Board requests fiscal notes from the Coordinating Board on all bills related to higher education. Staff members say that they receive anywhere from three to five hundred requests for fiscal notes in a given legislative session. In addition, the Coordinating Board receives over 200 requests from the Legislature annually for information related to higher education.

### **Texas Academic Skills Program (TASP)**

In an effort to address concerns about quality of education and performance of students coming into and leaving higher education in Texas, the Coordinating Board's Committee on Testing issued a report in 1986 entitled, "A Generation of Failure: The Case for Testing and Remediation in Texas Higher Education." This report called for implementing mandatory statewide testing of students entering higher education, to assess basic reading, writing and mathematics skills. The report also recommended that institutions provide academic advising and remediation for those students who fail one or more sections of the test. These recommendations led to legislation that made testing and remediation mandatory statewide, through the establishment of the Texas Academic Skills Program (TASP).

The TASP test measures skills in reading, writing and mathematics. All incoming students at public institutions (two- and four-year) are required to take the exam before completing the first nine semester-hours at the college or university. TASP requirements do not apply to students at private institutions unless they transfer to a public institution on a permanent basis. Students in certificate programs of less than 42 semester credit-hours are not liable for TASP requirements. Students who have not taken the TASP test prior to the end of the term in which they accumulate nine or more semester hours (or the equivalent) cannot enroll for subsequent collegiate hours until the test is taken. Students cannot move on to upper-division courses without passing the exam. The purpose of the exam is to identify students with difficulties in the three major skill areas, and then to provide them with activities and support to address those deficiencies. All institutions are required to provide remedial assistance to their students.

Subsequent studies conducted by the Coordinating Board suggest that the TASP program has been effective, and that students who have required and completed remedial programs generally perform comparably to those who do not require remediation. There were concerns initially that this program would have a negative impact on minority students, but Coordinating Board reports indicate otherwise.

### **Research Funding Programs**

As part of its effort to use higher education as a key part of the state's economic development strategy, the Legislature in 1987 established two programs to support research at institutions of higher education. These programs, administered by the Coordinating Board, include the



Advanced Research Program and the Advanced Technology Program. The Advanced Research Program provides funds for basic research through a statewide competitive, peer-review process. All faculty are eligible to submit proposals. Annual funding is set to be equal to at least ten percent of the average total estimated federally sponsored research for the preceding three years in all Texas public higher education institutions. The Advanced Technology Program supports applied research that will enhance economic growth in Texas. This is also funded through a competitive review process. Approximately \$650 million has been appropriated for these two programs each biennium since 1987.

## **Concluding Observations**

The structure of higher education in Texas is heavily influenced by the political process. The structure tends to encourage local pride and local ownership of the institutions. As a result, there is resistance to changes that are perceived as decreasing the status of any institution in the current structure. Texans resist grouping along regional lines or by institutional types because this potentially lessens the power and prestige of one or more of the institutions.

The Coordinating Board is generally regarded by those we interviewed as a necessary evil. The coordination function is sometimes viewed as a form of excessive bureaucratic intrusion, but it is generally believed to be effectively performed. For instance, the board helps to minimize duplication of programs and provides a statewide perspective in this state heavily dominated by local interests. The board is seen as being effective or ineffective depending on the willingness of the Governor, Lieutenant Governor, Speaker, and Legislature to let them be effective.

The board acts as an intermediary, according to its staff members, in areas where institutions and the board can reach consensus. Institutions negotiate with the Legislature directly concerning those areas where consensus is not reached—such as areas of special interest. The structure creates few limits on legislative intervention, and direct contact between institutions and the Legislature is considered healthy in this environment.

The structure also allows for individual leadership. In the mid-1980s, when the state was undergoing a fiscal crisis, the leadership of the Lieutenant Governor and one or two prominent university board members helped convince the Legislature that higher education was crucial for future economic development, and subsequently that it should provide stable support for higher education. This required a central, united front on the part of higher education, something the structure does not appear to encourage. Under strong leadership and in a time of fiscal crisis, however, this was able to work.

Several people attributed the success and longevity of the Coordinating Board to the leadership of the current commissioner. While the board could act in a much more regulatory way, the commissioner has kept it from doing so, perhaps because he recognizes that this approach would not be appreciated by the Legislature.

The Texas system of higher education is characterized by ongoing tensions between the Coordinating Board and the institutions, and between the Coordinating Board and the



Legislature. While there is a stronger dislike for the Coordinating Board than we saw in some of the other study states, this board plays a very important role in balancing the public and professional interests in Texas.

## **Appendix**

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Piedad Robertson, Superintendent and President, Santa Monica Community College

Guillermo Rodriguez, Executive Director, Latino Issues Forum

## Notes

- <sup>1</sup> Texas Higher Education Coordinating Board (THECB), *Master Plan for Texas Higher Education, 1995* (Austin: 1995), p. 3.
- <sup>2</sup> *Ibid.*, p. 6.
- <sup>3</sup> *Ibid.*, p. 6.
- <sup>4</sup> S. McCartney and K. Blumenthal, "Lone Star Rising: Texas Strives to Avoid California's Mistakes, and It Is Prospering," *Wall Street Journal*, September 13, 1995.
- <sup>5</sup> THECB, *Master Plan*, p. 2.
- <sup>6</sup> J. Sharp, *Disturbing the Peace: The Challenge of Change in Texas Government* (Austin: State Comptroller's Office), appendix I, part 2.
- <sup>7</sup> *Ibid.*, p. 5.
- <sup>8</sup> *Ibid.*
- <sup>9</sup> Legislative Budget Board, *Fiscal Size Up, 1996–97 Biennium, Texas State Services* (Austin: 1996), section 6, p. 13.
- <sup>10</sup> J. M. Burns, J. W. Peltason, and T. E. Cronin, *State and Local Politics: Government by the People* (Englewood Cliffs, NJ: Prentice-Hall, 1990), p. 113.
- <sup>11</sup> Texas State Legislature, *Texas State Charter for Higher Education, 1987* (Austin: 1987), p. 6.
- <sup>12</sup> THECB, *Enrollment Forecasts, 1995–2010*, study paper 27 (Austin: 1995).
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- <sup>14</sup> THECB, *Facts on Higher Education in Texas* (Austin: 1995), not paginated.
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- <sup>16</sup> K. Mangan, "Universities in South Texas Sprout New Programs and Campuses," *Chronicle of Higher Education* 43 (October 4, 1996), p. A29.
- <sup>17</sup> *Ibid.*
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- <sup>19</sup> "Lawsuit Brings Two New Doctoral Programs to S. Texas," *Chronicle of Higher Education* 38 (February 19, 1992), p. A21.
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- <sup>21</sup> T. Ackerman, "UH Chancellor Latest to Resign," *Houston Chronicle*, May 27, 1995, p. 1A.
- <sup>22</sup> K. Halstead, *State Profiles for Higher Education 1978 to 1996: Trend Data* (Washington, D.C.: Research Associates of Washington, 1996), p. 88.
- <sup>23</sup> Legislative Budget Board, *Fiscal Size Up*, section 6, p. 30.

<sup>24</sup> THECB, *Master Plan*, p. 17.

<sup>25</sup> THECB, *Financial Aid for Texas Students* (Austin 1994), not paginated.

<sup>26</sup> Most of this discussion of performance funding is drawn from K. H. Ashworth, "Performance-Based Funding in Higher Education: The Texas Case Study," *Change*, November/December 1994, pp. 8–14.

<sup>27</sup> THECB, unpublished data, April 1995.

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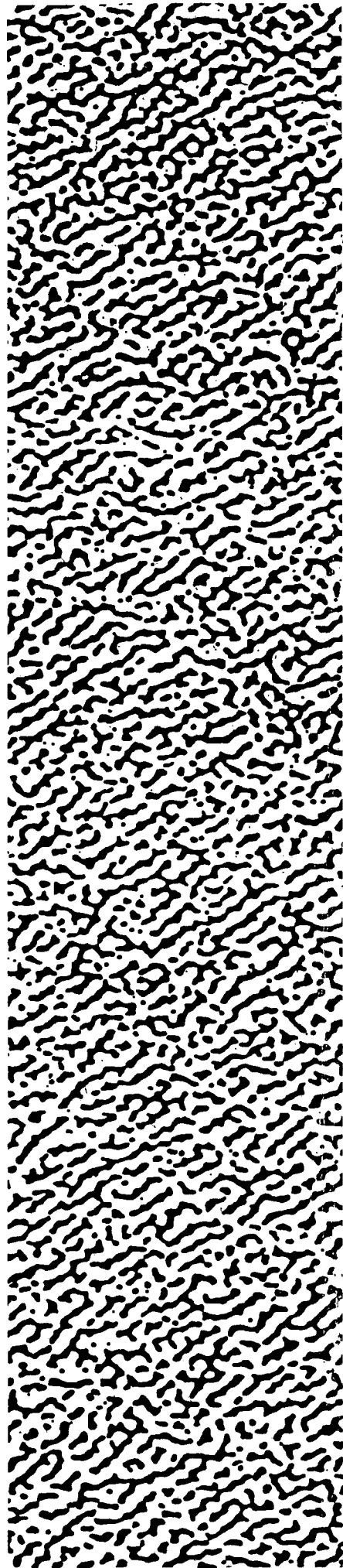
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