

# **LEADING THE WAY:**

**An Action Plan for Making  
Texas Higher Education  
Globally Competitive**

**FEBRUARY 2007**

## Executive Summary

*“America’s global competitiveness depends not only on investment in research, science, and technology, but also on investment in human capital—higher education.”<sup>1</sup>*

Like other states and nations, Texas is engaged in a global competition for talent--attracting, educating and retaining citizens who are able to work smarter, learn faster and enhance the overall quality of life. In some areas of competition, Texas is doing well: a relatively low tax burden, a fair and favorable legal and regulatory climate, and the development of an advanced transportation infrastructure all make the State an attractive place to live and do business. But when it comes to our higher education system, we’re not only struggling, we’re falling behind. For example:

- The portion of young adults attaining a college degree is well below the national average and even further below many competitor countries. In fact, our State’s 25 to 34 year olds are the least educated group of Texans in two decades, less educated than 35 to 44 year olds who are, in turn, less educated than 45 to 54 year olds. In most other competitor countries, it’s just the opposite with the younger population outperforming the older population in educational attainment.
- Our education pipeline is leaking badly. Only 13% of Texas 9<sup>th</sup> graders graduate with a degree or certificate nine years later. The numbers are worse for the Hispanic and African-American population, yet these two groups will account for all the growth in the state’s college-age population.
- Texas lags behind competitor states with regard to knowledge creation and innovation, needing stronger globally-recognized research universities and an improved ability to transfer university research to commercial application.

As the Economist magazine recently noted, the demand for talent-intensive skills is rising and the proportion of American workers doing jobs that call for complex skills has grown three times as fast as employment in general. Nearly two-thirds of all high-growth, high-wage jobs created in the next decade will require a college degree; a degree less than one-third of Texans have. To meet this challenge, Texas must do far better in raising levels of educational attainment or risk a long-term decline in per capita income and a lower overall quality of life.

The “Closing the Gaps” report in 2000 took an important step in higher education reform by outlining a series of challenges and goals around increasing participation, completion, research and excellence, benchmarking against national averages. Now Texas needs to take the next step: developing an aggressive strategy to not only reach the goals established in “Closing the Gaps,” but to move our higher education system toward true global competitiveness.

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<sup>1</sup> “Mortgaging Our Future: How Financial Barriers to College Undercut America’s Global Competitiveness”, A Report of the Advisory Committee on Student Financial Assistance, September, 2006.

This report sets forth an action plan designed to encourage excellence in our colleges and universities and produce a more educated and competitive population. The report makes seven major recommendations.

1. Enact a “Texas Compact” to carry out a long term vision for (i) educating Texas students to globally competitive levels and (ii) building top quality universities to strengthen the state’s economy and improve the quality of life for all citizens.
2. Get more Texans, particularly low-income and minority students, participating in and successfully completing higher education and earning a meaningful degree or certification that leads to a higher skill, higher paying job. To do this, Texas must strengthen and raise expectations for community colleges, establish better links between high school and higher education, require most of the four-year institutions in the state to reaffirm and emphasize their undergraduate teaching missions and provide more financial aid to lower income Texans.
3. Improve student learning and institutional accountability by requiring all public colleges and universities to (i) measure student achievement and improvement over time and (ii) provide greater transparency regarding their operations.
4. Establish Texas as the home for cutting-edge research and innovation in key areas of technology and as a beacon for the knowledge and idea-driven economy of the 21<sup>st</sup> century. Texas must enhance the capabilities of its research universities and their ability to transfer technology from the university to the marketplace.
5. Make the state’s colleges and universities a driver of regional prosperity by integrating them more closely with the local K-12 system and with their regional economic priorities.
6. Strengthen higher education’s focus on its core mission and state goals by aligning funding policy with state priorities. The current system creates incentives for institutions to enroll more students, rather than ensuring that they complete their academic programs.
7. Replace the current Texas Higher Education Coordinating Board with a new entity given the authority and stature to execute the vision and goals of the Texas Compact. The State needs a high-level policy leadership organization that has the responsibility and authority to shape and sustain attention to a long-term agenda; develop and sustain a long-term financing plan for operating and capital funding that is aligned with this agenda; and hold institutions accountable for performance.

It is time for Texas to take a hard look at our system of higher education. In an increasingly competitive world, human capital has never been more important. We need an education system that does a far better job of preparing many more Texans for the challenges and opportunities of the 21<sup>st</sup> century. We believe the recommendations outlined in this report will move Texas in this direction.

# LEADING THE WAY:

## AN ACTION PLAN FOR MAKING TEXAS HIGHER EDUCATION GLOBALLY COMPETITIVE

*Principles: Strengthen Economic Competitiveness, Stimulate Innovation, Enhance Student Learning and Institutional Accountability, Improve Quality of Life for All Texans*

### **I. ENACT A “TEXAS COMPACT” TO SET FORTH A LONG TERM VISION FOR (A) EDUCATING TEXAS STUDENTS TO GLOBALLY COMPETITIVE LEVELS AND (B) DEVELOPING TOP QUALITY UNIVERSITIES TO STRENGTHEN THE STATE’S ECONOMY AND IMPROVE THE QUALITY OF LIFE FOR ALL TEXANS**

#### **Background**

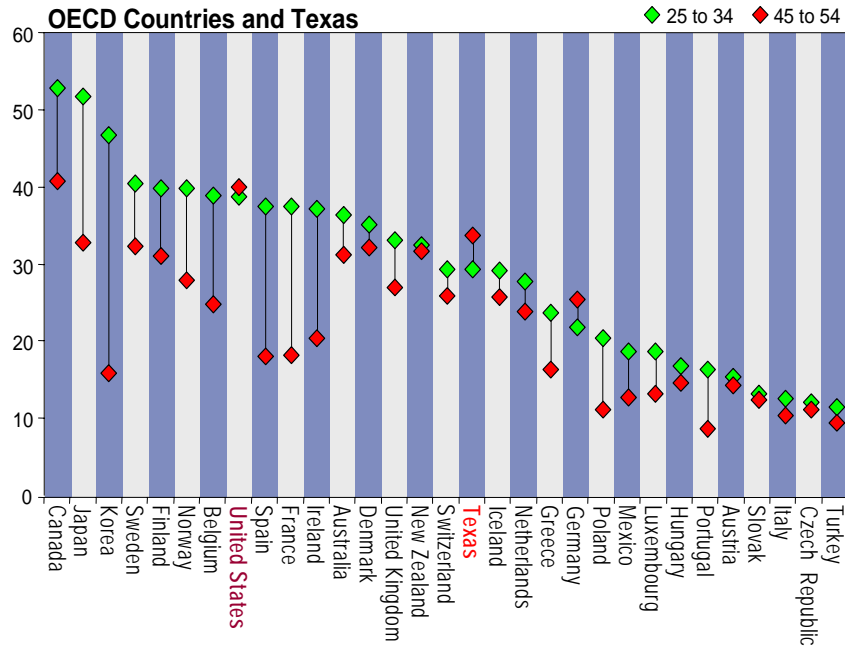
Texas institutions of higher education, by achieving excellence in their core missions, can help ensure Texas creates and sustains a globally competitive economy and a high quality of life. Texas will achieve this goal when:

- The citizenry of Texas are educated to levels comparable to its high performing global competitors. All Texans deserve the opportunity to acquire the knowledge and skills needed to succeed in an increasingly complicated and demanding world.
- Texas universities are recognized globally for their creation of knowledge and innovations that strengthen the state’s economy and improve the quality of life for its citizens.

If Texas is to achieve this goal, the state’s education system must become significantly more effective: many more Texans must graduate from high school prepared to successfully complete a collegiate program of study. Hispanic and African-American students need to graduate from college in much higher percentages. The State must plug the leaks at every stage of the education pipeline or risk creating a generation of students that is much less educated than their predecessors (see Figures 1-2).

**FIGURE 1.**

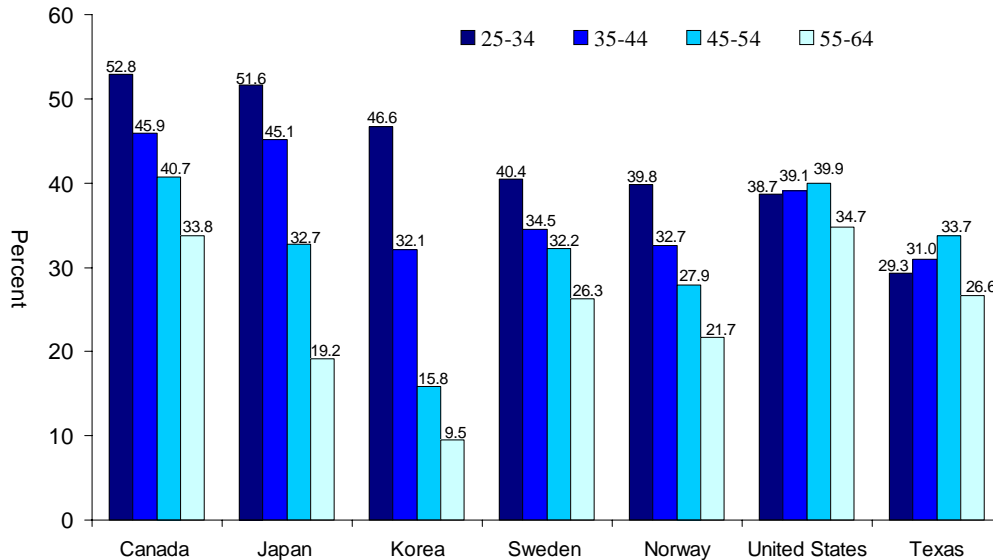
Percent of Adults with an Associate or Higher Degree



Source: Organisation of Economic Cooperation and Development, American Community Survey

**FIGURE 2.**

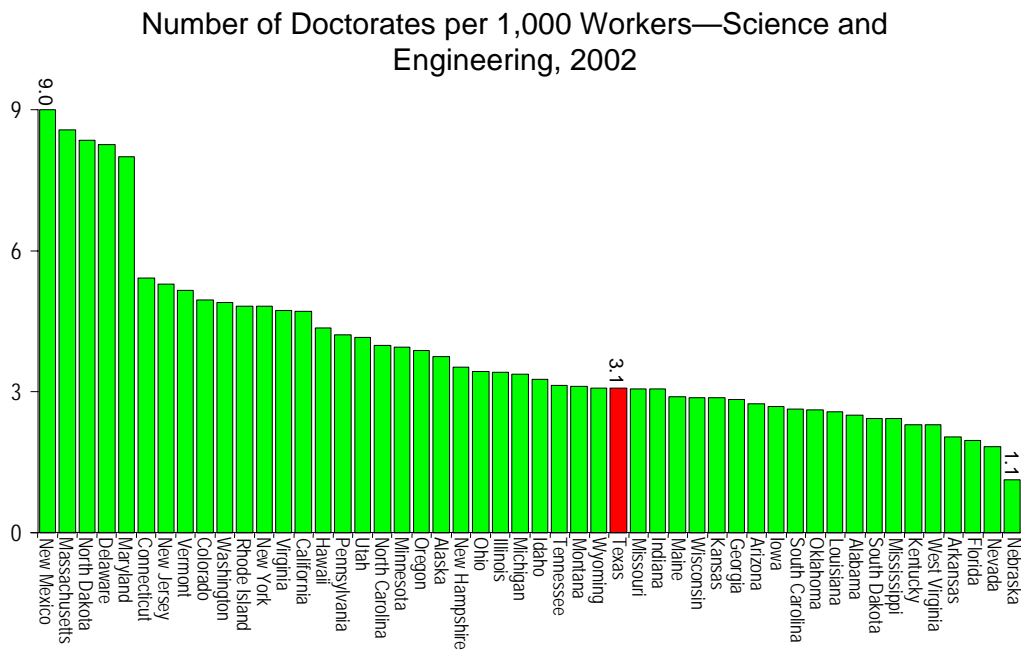
Percent of Adults with an Associate Degree or Higher by Age-Group—  
Texas, the U.S. and Leading OECD Countries (2003)



Source: Organisation of Economic Cooperation and Development, *Education at a Glance 2005*

In addition, the State must strengthen its university system, creating first class teaching institutions and stronger globally recognized research universities. Given the state's current standing with regard to knowledge creation and innovation (see Figures 3-5). Texas must give high priority to enhancing its performance in these areas.

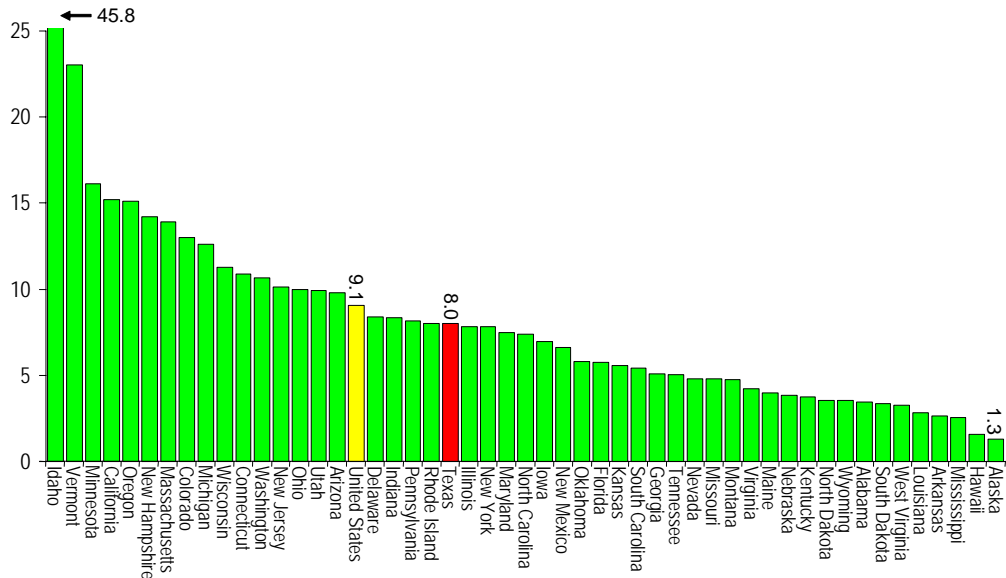
**FIGURE 3.**



Source: *Development Report Card for the States*, Corporation for Enterprise Development

**FIGURE 4.**

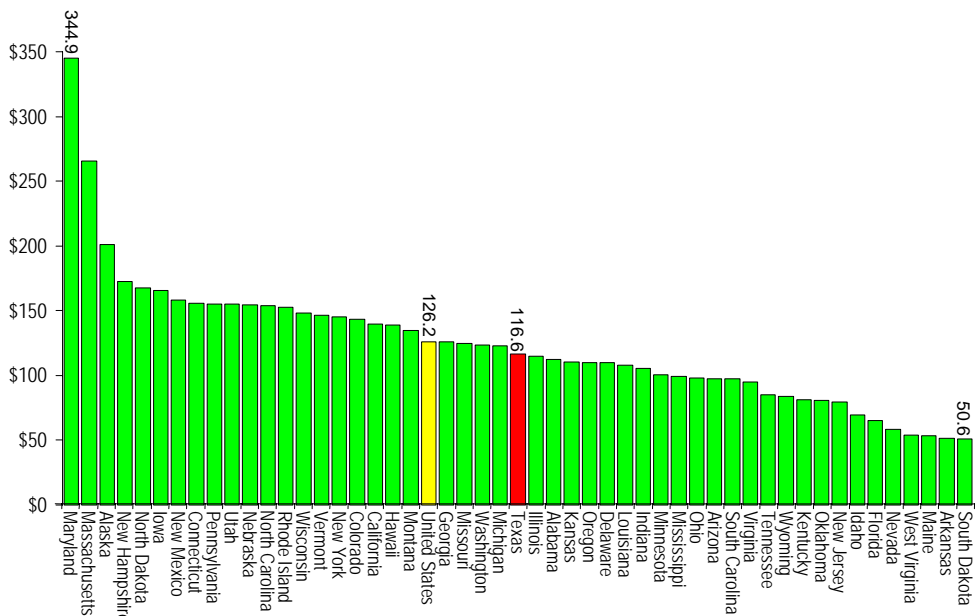
Number of Patents Issued Per \$1,000 GSP



Source: 2004/2005 Economic Vision 2010 Report Card, Indiana Chamber

**FIGURE 5.**

Total R&D Expenditures Per Capita, 2002



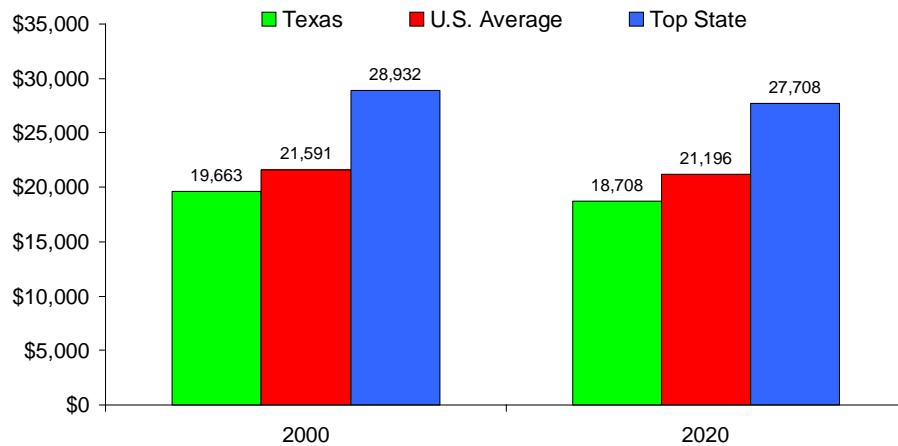
Source: National Science Foundation; U.S. Census Bureau

Traditionally, the State has lacked a comprehensive strategy to raise levels of educational attainment, letting each college and university system chart its own path. Although Texas has a number of excellent colleges and universities, the lack of any long term vision and the strategy to execute it has lead to wide spread mission creep and the failure to allocate resources based on a rational, strategic basis. The “Closing the Gaps” report of 2000 took an important step forward by setting a series of goals around increasing participation, completion, research and excellence, and benchmarking against the average for all states. Now the State needs to develop an aggressive strategy to move our higher education system toward true global competitiveness.

The current projected decline in the state’s education attainment will inevitably result in a long term decline in per capita income (see Figure 6). This in turn will lead to diminished quality of life for all Texans and reduced tax revenues needed to provide services to those citizens. To reverse this trend, Texas must set forth a bold vision for excellence in higher education and an action plan that results in a more educated population.

**FIGURE 6.**

Change in Per Capita Personal Income from 2000 to 2020  
(In 2000 \$)



Source: U.S. Census Bureau’s Population Projections and Census 2000



## ***Recommendations***

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- **Enact “The Texas Compact.”**

The Texas Compact would set long-term goals and related accountability measures including intermediate steps to stop the current decline in percentage of college graduates, with the ultimate goal of global competitiveness in education attainment and institutional performance.

The Compact would also establish a new policy leadership entity created by the Legislature (for purposes of this report, the new entity will be referred to as the Texas Higher Education Board or “Board”) to enable it and the leadership to effectively implement the goals of the Compact. The powers of this new entity are discussed further in Section VII.

The Compact would build upon the goals in *Closing the Gaps*, but would also:

- Benchmark Texas performance against best performing states and, to the extent possible, best performing nations;
- Increase the emphasis on student learning at each stage of the education pipeline; and
- Develop a plan to ensure all qualified students attain access to higher education.

## **II. GET MORE TEXANS, PARTICULARLY LOW-INCOME AND MINORITY STUDENTS, PARTICIPATING IN AND SUCCESSFULLY COMPLETING HIGHER EDUCATION BY EARNING A MEANINGFUL DEGREE OR CERTIFICATION THAT LEADS TO A HIGHER SKILL, HIGHER PAYING JOB**

## ***Background***

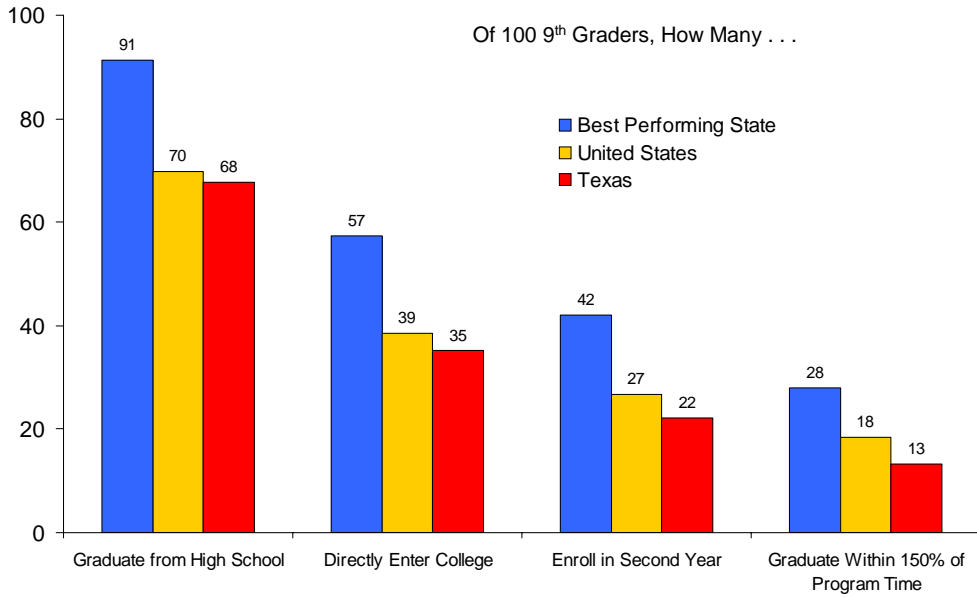
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Texas is in a deficit position far behind other states and countries. The proportion of young adults who have attained a college degree is well below the national average and even further below the levels of several competitor countries. More alarming, Texas and the U.S. are doing worse than 20 years ago at the same time competitor nations have been making steady decade-to-decade progress.

Texas loses far too many of its students all along the pipeline (see Figure 7).

**FIGURE 7.**

**Student Pipeline 2004**

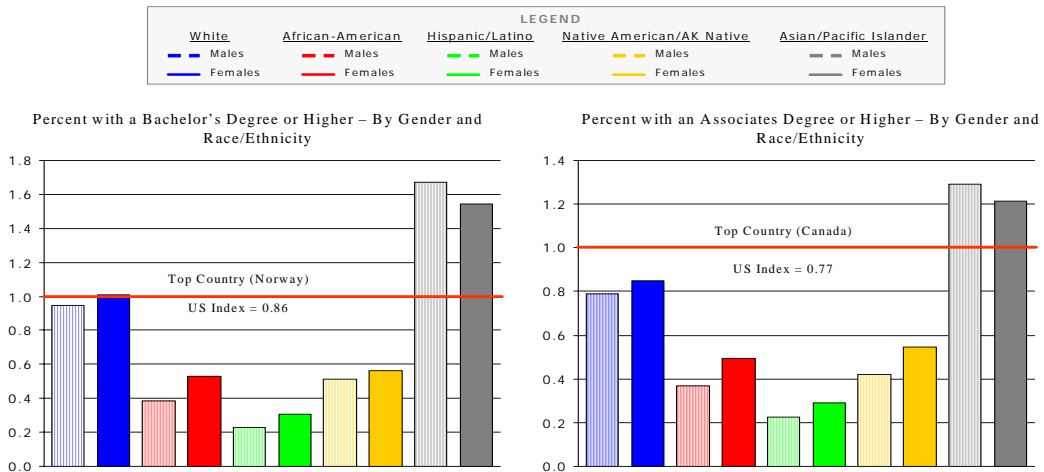


Source: NCES - Common Core Data, IPEDS Residency and Migration Survey, IPEDS Enrollment Survey, IPEDS Graduation Rate Survey

This problem is especially acute for Hispanic and African-American students, who attain college degrees at rates far lower than their Anglo counterparts (see Figure 8).

**FIGURE 8.**

**Educational Attainment of Population Age 25-34 (the Young Workforce)—  
Texas Indexed to Top Country**

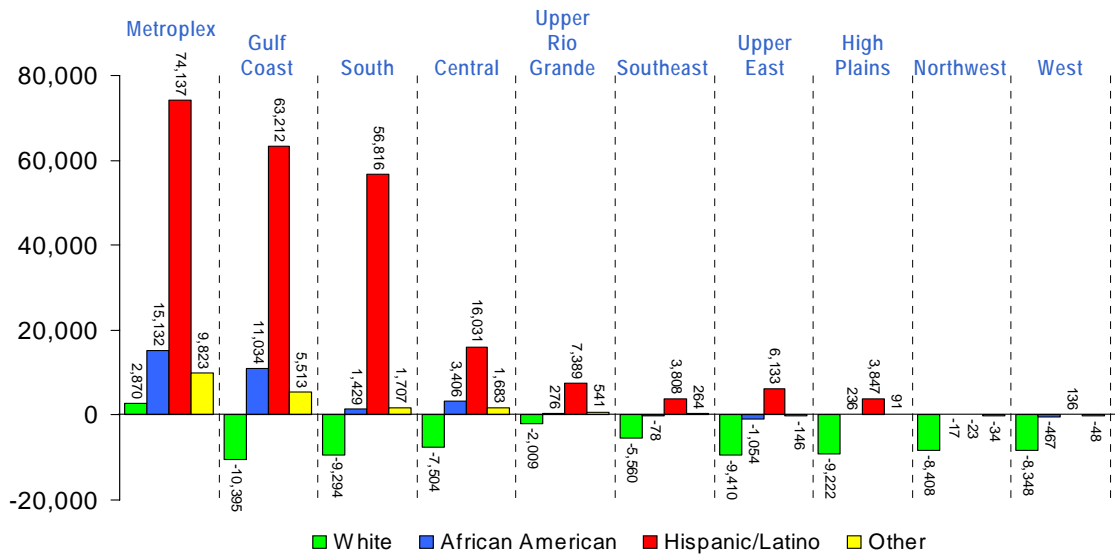


Source: U.S. Census Bureau's Public Use Microdata Samples (based on 2000 Census) and the Organisation for Economic Co-operation and Development

Since all growth in Texas' college-age population will be in the Hispanic and African-American population (see Figure 9), the state must find ways to ensure that many more of these students succeed in the schools and colleges. Failure to do so will lead to a decline in the state's education attainment and Texas will fall even further behind competitor states and countries.

**FIGURE 9.**

**Projected Growth of Population Age 18-24 by Race/Ethnicity and Postsecondary Region, 2005-15**



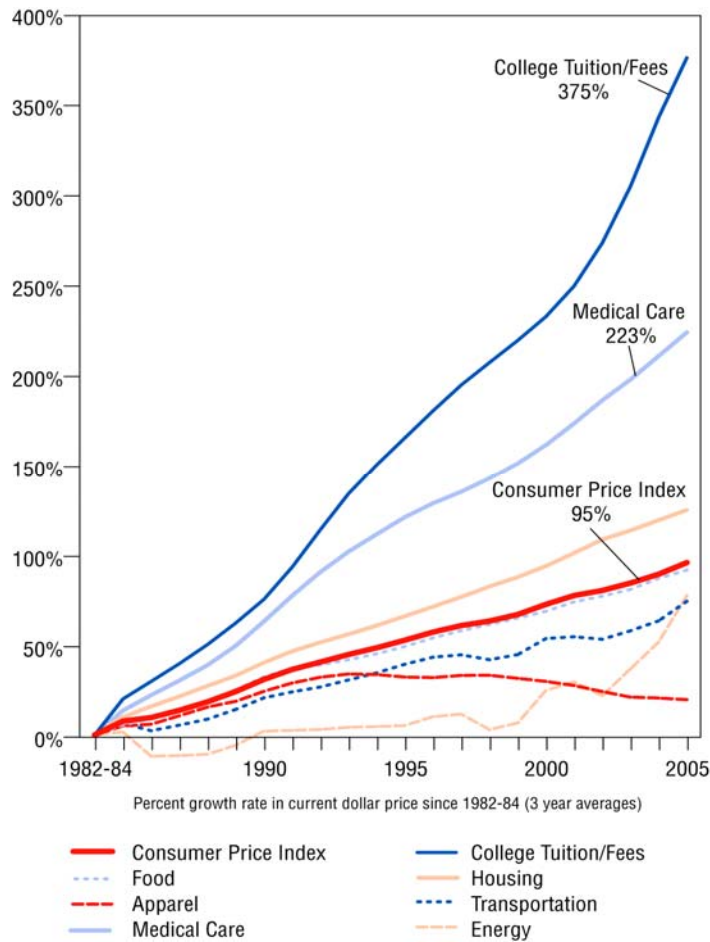
Source: Texas State Data Center, Office of State Demographer

Ensuring that many more Texans complete a college education will require that:

- Higher education link proactively to the K-12 system to ensure that more students graduate from high school with the knowledge and skills necessary to succeed in college.
- Community colleges in the urban centers accommodate many more students and become much more effective in graduating students they enroll and/or helping them transfer to four-year institutions. Only one in five community college students who could transfer to a four year institution actually do so.
- Most of the state's four-year institutions reaffirm and emphasize their undergraduate teaching missions and state investment in these institutions support this function.

- No qualified Texas student is denied an education because of financial hardship. With the cost of attaining a college degree consistently outstripping inflation, universities need to do more to enhance productivity and control costs. In addition, the large percentage of low-income families in the State makes affordability a serious barrier to increasing access to college. The National Center for Public Policy and Higher Education recently gave Texas an “F” for affordability (See Figure 10)

**FIGURE 10.**



Source: Percent growth rates calculated based on Consumer Price Index for All Urban Consumers, available at the Bureau of Labor Statistics website.

- Additional capacity in the form of new institutions is created to accommodate enrollment growth in the Metroplex, San Antonio and south Texas regions.

## ***Recommendations***

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- **Strengthen and raise standards for community colleges**

The community college systems must become major contributors to the goal of educating more Texans to higher levels of learning, but they are so locally focused as to be disconnected from and unaccountable for state-level priorities. Moreover, there is no consensus or consistent measurement of what basic skills a student should master to earn an associate's degree.

The State should increase funding formula incentives for community colleges to achieve performance expectations related to links with K-12, articulation and transfer, and completion rates. The Board should (i) serve as the point of accountability for community colleges to achieve these performance expectations and (ii) recommend allocations for state resources to the community colleges.

- **Improve linkage between K-12 and higher education**

The State must establish coherent, measurable standards in the K-12 system that are geared grade to grade to the ultimate objective of college and workplace readiness. Colleges must work collaboratively with the K-12 system to align standards vertically in accordance with HB1 passed by the Legislature in 2006.

- **Make college more affordable for low-income students and set clear goals for financial aid programs**

Funding for the Texas Grant program should be increased. According to the Texas Higher Education Coordinating Board ("THECB"), full funding would allow more than 60,000 eligible students to receive a Texas Grant.

In addition, the Legislature should establish a new component of the Texas Grants program that would target students at the middle-school level and provide for students and families to enter into a "learning contract." Students would agree to take the prescribed courses, stay in school, etc. and schools would provide support services (counseling, etc.) that are known to be essential for at-risks students to succeed. The State should also add a component to the Texas Grant program that would place more emphasis on student contributions through work/work-study.

The Texas B-on-Time program, enacted in 2003, is an innovative approach to college affordability, offering no-interest loans to students with the loans being forgiven if a student meets specified goals. This program should be supported, funding enhanced and better integrated with Texas Grants as part of an overall state strategy to enhance affordability. As noted in a recent study on financial aid in Texas, the State "lacks a clear vision and measurable goals or objectives to guide policymakers in the development, review and adjustment of financial aid programs." Currently, the many separate programs with a variety of eligibility requirements and coverage have created a huge administrative burden on financial aid offices and frustrate parents and students trying to navigate the system.

- **Improve student access to higher education by establishing a consumer information portal giving them useful, comparative information on the cost and quality of the State’s higher education institutions**

Establishment of a user-friendly, personalizable search engine could improve students’ ability to make better institutional selection choices and more informed decisions about the true cost of college. Such a portal would allow students to:

- Create a personal profile (demographic characteristics, academic background and performance, academic interests).
- Receive information about success of other students who fit this profile at institutions that the potential student is considering.
- Get a realistic and early estimate of how much a particular college will cost based on the family’s financial profile.

The new board should ensure that disadvantaged low-income and minority students and parents who may have limited access to technology have improved information for making better institutional selection choices and a better understanding of costs.

- **Increase capacity to accommodate population growth in the Metroplex , San Antonio and south Texas regions**

According to the State Data Center, the Metroplex will need to accommodate over 100,000 additional 18 to 24-year olds during the next 10 years. The San Antonio and South Texas region will add approximately 50,000 new students during this period. In both cases, the growth will be driven in large part by young Hispanics.

### **III. IMPROVE STUDENT LEARNING AND INSTITUTIONAL ACCOUNTABILITY BY REQUIRING ALL PUBLIC COLLEGES AND UNIVERSITIES TO (A) MEASURE AND REPORT STUDENT ACHIEVEMENT OUTCOMES AND (B) PROVIDE GREATER TRANSPARENCY REGARDING THEIR OPERATIONS.**

#### ***Background***

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As other nations rapidly improve their higher-education systems, evidence indicates that the quality of student learning at U.S. colleges and universities is inadequate and, in some cases, declining. As the recent U.S. Secretary of Education’s report, “A Test of Leadership: Charting the Future of U.S. Higher Education” noted, numerous studies have highlighted the shortcomings of our nation’s universities in everything from graduation rates and time to degree to learning outcomes and even core literacy skills. According to the most recent National Assessment of Adult Literacy, the percentage of college graduates of all ages deemed proficient in prose literacy has actually declined from 40 to 31 percent in the past decade. The report noted that employers prepared to work, lacking the critical thinking, writing and problem-solving skills needed in today’s workplaces.

Traditionally, the quality of the colleges and universities has been measured on financial inputs, resources and reputation. These input-driven measures are no longer adequate in a more results-oriented world that wants the ability to determine, across institutions, just how much students learn in college or whether they learn more at one college than another.

As Texas has done in the K-12 system, the state must raise expectations for college students and place the emphasis squarely on student learning. Colleges and universities now have new tools, such as the Collegiate Learning Assessment and the Measure of Academic Proficiency and Progress, to measure student success. The State has made an excellent start on this effort with Governor Perry directing university regents to set accountability standards to ensure tax dollars colleges and universities receive are being efficiently spent and college students are receiving a quality education. This emphasis on accountability for student learning and efficient use of taxpayer funds should be expanded.

### ***Recommendations***

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- **Increase accountability by establishing clear and high expectations for student learning**

The State's colleges and universities should assess and report meaningful student learning outcomes using instruments that measure basic skills such as critical thinking, analytic reasoning and written communications. Colleges should track how much students' skills improve over time and report the results in the aggregate publicly.

Texas should take the lead in measuring our students' achievement against globally competitive benchmarks through instruments such as the Program for International Assessment (PISA). These assessments are not high stakes tests, but a general measure of whether a given state or nation's students have the knowledge and skills (problem solving, scientific, math and reading literacy) that are essential for full participation in global society.

- **Require colleges and universities to be more transparent about their operations and costs**

Colleges and universities must provide the public, students and state policymakers with data that is useful, relevant, and contributes to the public's overall understanding of and trust in higher education. Such data should include the cost of attendance, productivity measures, allocations of time and funds to classroom instruction, research and other programs and information on the stewardship and maintenance of institutional assets. This data should be presented in such a way as to allow institutional comparisons and be assessable to all interested parties.

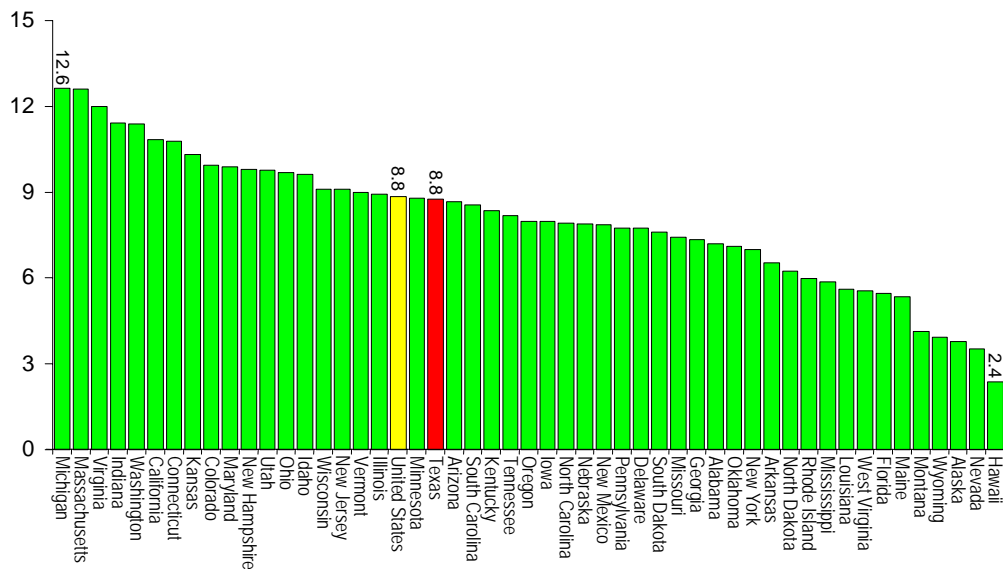
**IV. ESTABLISH TEXAS AS A HOME FOR CUTTING-EDGE RESEARCH AND INNOVATION IN KEY AREAS OF TECHNOLOGY AND AS A BEACON FOR THE KNOWLEDGE AND IDEA-DRIVEN ECONOMY OF THE 21<sup>ST</sup> CENTURY**

***Background***

A highly educated populous is a necessary condition for economic competitiveness. But it is not enough. The state also needs a globally competitive business community—employers who create high skill/high wage jobs that require a highly educated workforce. Increasingly, this means more jobs in technology industries. Currently Texas’ high tech employment is at the national average, but well below the leading states. (see Figure 11) Moving up on this scale will require Texas to expand those parts of the economy driven by knowledge creation and the innovative use of this new knowledge. The state’s research universities can make a substantial contribution to these areas.

**FIGURE 11.**

**Employment in High-Technology Establishments as Share of Total Employment by State, 2000**



Source: U.S. Census Bureau—Standard Statistical Establishment List, special tabulations, and *County Business Patterns*

The State lags behind other competitor states in knowledge creation and innovation (see Figures 3-5) and must make enhancing its performance in this arena a high priority.



Improving the state's competitive position in academic research and innovation means:

- Emphasizing the research roles of UT-Austin, Texas A&M-College Station and the research-oriented Medical Centers—and creating expectations that they move up in the research competitiveness rankings and providing the environment in which they can aggressively act on these expectations.
- Creating conditions in which more universities (with strong private sector and regional support) can evolve into major research universities.

### ***Recommendations***

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- **Improve competitiveness in research and technology**

Texas should enhance the independence of the two major research universities, UT-Austin and Texas A&M-College Station, from state and system constraints in order to increase their ability to focus on world-class research and graduate education, and limit undergraduate enrollment.

- **Enhance relevance of university research in addressing public needs and ability to transfer technology from university to the marketplace**

Universities must make a commitment to pursuing research that addresses significant public and social needs. As the President noted in his 2006 State of the Union address, America's economic strength and global leadership depend in large measure on our nation's ability to generate and harness the latest in scientific and technological developments and to apply these developments to real world applications. Texas must do better job of improving its return on research by reforming its technology licensing practices and procedures. The State underperforms the rest of the nation in revenue generated relative to research expenditures, falling significantly below the national average of 3.4%.

- **Create conditions for universities with both strong private support and support of the region's civic, political and business leadership to evolve into major research universities by meeting nationally-recognized standards**

Universities desiring to reach the status of a research university should do so only with the strong regional support and significant private sector backing. Regional investment funds (discussed in recommendation V below) could be used to help develop research capacity in line with the area's long-term economic development priorities.

**V. MAKE THE STATE’S COLLEGES AND UNIVERSITIES DRIVERS OF REGIONAL PROSPERITY BY INTEGRATING THEM MORE CLOSELY WITH THE LOCAL K-12 SYSTEMS AND WITH THEIR REGIONAL ECONOMIC PRIORITIES**

***Background***

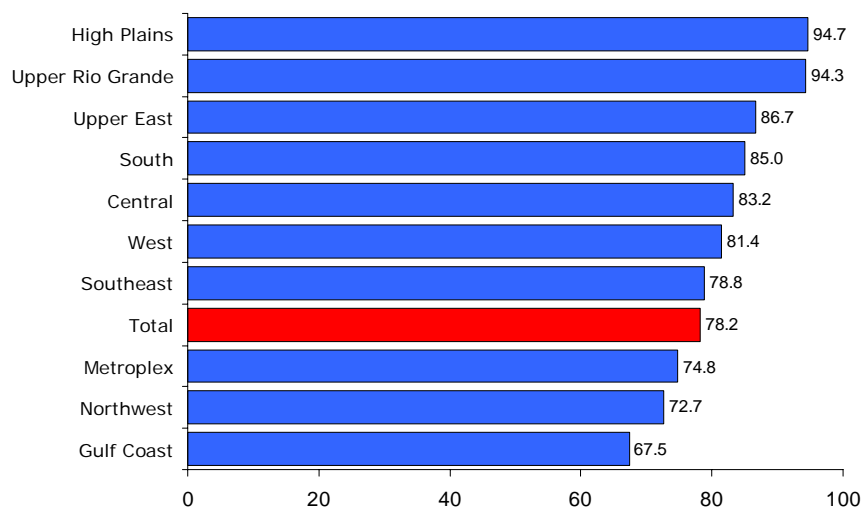
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The State’s higher education system has traditionally not been engaged in meaningful regional planning and coordination regarding economic development. As a result, state policies fail to reflect significantly different needs of the state’s regions and no means exist at the regional level for bringing together business, civic and educational leaders to develop strategies to address regional higher education priorities.

There is a need, both economic and political, to address the different problems being faced in different parts of the state. Some parts of Texas are growing dramatically; other regions face population declines (see Figure 9). The economies differ substantially from region to region—health care and energy in the Houston area, technology in the Metroplex, and agriculture in several regions. A regional response to higher education needs is particularly important given the fact that most students attend college close to home (see Figure 12).

**FIGURE 12.**

**Percent of First-Time Students Attending College Within the Region of High School Graduation, Fall 2005**



Regardless of specific circumstance, however, all parts of the state need:

- Excellence in education, both K-12 and higher. Wherever individuals go to school or eventually live, all deserve the opportunity to acquire the knowledge and skills needed to be successful in an increasingly complicated and demanding world.
- The ability to tap the intellectual resources of the universities in the region to help in dealing with the most pressing regional priorities.

Responding to these challenges will require a clearer statement of the state's expectations of its higher education system, expanded capacity in key areas and, most important, changes in policy that serve to establish a new relationship between the State of Texas and its system of higher education.

### ***Recommendations***

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- **Bring the higher education community together with business, civic and education leaders of each region in a collaborative effort to promote higher levels of educational achievement and regional economic development**

Such an effort should seek to:

improve the ability of K-12 schools in the region to graduate a higher proportion of college-ready students;

achieve measurable improvement in the proportion of the region's population moving through the education pipeline to certification/degrees and meeting high standards of student learning; and

link higher education to regional economic development.

- **Establish regional partnerships to link higher education to economic development needs and goals**

The responsibilities of such entities would include:

establishing higher education priorities tied to regional economic development and workforce needs;

making recommendations to the Board on how to increase undergraduate capacity (e.g., expanding existing institutions or establishing new institutions) to accommodate increased demand (e.g., in Metroplex, Gulf Coast, South Texas, Central Texas and Upper Rio Grande); and using incentives to promote change and collaboration in order to achieve the state and regional goals through (i) leveraging private and other regional resources and (ii) allocating regional investment funds.

Regional investment funds would be new, discretionary state funds designed to help a region implement its strategic plan linking higher education to regional economic development goals. Such goals could include ways to strengthen the education pipeline, accommodate new workforce demands, or increase the focus on priority areas of applied research. State funds could be matched or augmented by funds from non-state sources, but would only be released after the Board approved the project plan and accountability mechanisms developed by the regional partners.

## **VI. STRENGTHEN UNIVERSITIES' FOCUS ON THEIR CORE MISSION AND STATE GOALS BY ALIGNING FUNDING POLICY WITH STATE PRIORITIES**

### ***Background***

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The absence of a funding system aligned with state goals creates incentives for institutions to enroll more students, rather than ensuring that those enrolled complete their academic programs. In addition, the current system

- Basically treats all four-year colleges alike—it fails to make appropriate distinctions between different types of institutions. As a result, it creates incentives for mission creep and the desire to build new campuses and buildings rather than rewarding different institutions for excellence in their core functions.
- Is essentially a cost-reimbursement model; it does not incentivize performance -- graduating more students, becoming more successful in competing for research, better responding to regional needs.

In addition, the lack of resources and authority at the university system level impairs their ability to align resources with needs and provide incentives toward improved performance.

### ***Recommendations***

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- **Develop and present to the Governor and State Legislature a comprehensive long-range financing plan designed to reach the goals established in the Texas Compact**

This financing plan should include components regarding:

- General fund appropriations for institutional operations. The funding models/formulas for this component should reflect institutional mission distinctions consistent with state goals—separate formulas for research universities, regionally supported emerging research universities, predominantly teaching universities, and community colleges.

- Student financing—including financial aid programs designed to maintain affordability.
- Strategic investment funds for regional initiatives (e.g., emerging technology/economic development, K-12 initiatives, etc.).
- Capital expenditures.
- **Enhance the university systems’ ability to drive their component institutionstoward state goals by giving the systems access to additional resources**

**VII. REPLACE THE CURRENT TEXAS HIGHER EDUCATION COORDINATING BOARD WITH A NEW ENTITY GIVEN THE AUTHORITY AND STATURE TO EXECUTE THE VISION AND GOALS OF THE TEXAS COMPACT**

***Background***

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To carry out the Legislature’s vision of higher education as expressed through the Texas Compact, the State needs a high-level policy organization established by and accountable to the Legislature and leadership that has the responsibility and authority to:

- Shape and sustain attention to a long-term agenda through change in political leadership and in the face of short-term, parochial pressures.
- Develop and sustain a long-term financing plan for operating and capital funding that is aligned with this agenda, allocates resources in ways that promote achievement of desired objectives, and maintains affordability for both the students and the citizens of Texas.
- Hold institutions accountable for performance--making consistent progress toward achievement of the agenda

***Recommendations***

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- **Establish a new high-level entity, the Texas Higher Education Board to execute and sustain focus on the goals of the Texas Compact**

The THECB should be replaced with a new entity, organized as a public corporation, with the principal mission of leading the implementation of statewide and regional strategies to achieve the long-term goals specified in the Texas Compact. The Board would be the pre-eminent policy leadership entity for higher education in Texas with the authority, power and status necessary to sustain progress toward the goals in the Texas Compact and withstand institutional, regional or political pressures to pursue policies inconsistent with these goals.

The Board should submit to the Governor and Legislature before each legislative session a prioritized set of recommendations regarding:

- Strategic investment funds
- Capital projects
- Special initiatives originating in either the Legislature or institutions

These recommendations would reflect the vision and goals for higher education established by the Legislature in the Texas Compact. State leadership should establish procedures to prevent any deviation from the recommended appropriations that is not in line with the goals of the Texas Compact.

To enhance the Board's effectiveness, the Legislature should establish the Board with the flexibility to attract, appoint and compensate professional staff at competitive levels. It should also provide for management flexibility comparable to that currently granted to university system boards and offices, with the requirement for public accountability and transparency in all the new entity's operations.

The new entity would have powers to carry out all functions of the THECB not deleted or strengthened by the new provisions (the current THECB statute should be significantly streamlined) and to

- Establish regional higher education partnerships
- Carry out additional responsibilities related to community colleges, student learning, and student/consumer information
- Delegate to subsidiary organizations responsibility for operating functions such as the operation of student financial aid (grant and loan) programs and carrying out regulatory functions
- Develop and present to the Governor and State Legislature a comprehensive long-range financing plan designed to reach the goals established in the Compact
- Decide, as the final authority, matters related to:
  - Awarding degrees at a higher level, offering new doctoral and professional programs, etc.
  - Creation of new campuses and institutions
- Define membership of the Board to ensure accountability to the Governor, Lt. Governor, Speaker and State Legislature as well as to sustain policy leadership over political cycles

**For additional information please contact:**

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