



ISSUE BRIEF: A REVIEW OF FINANCIAL ACCESS TO POSTSECONDARY EDUCATION IN TEXAS

Prepared by: Allison Pennington & Leslie Gurrola

OVERVIEW

Greater Texas Foundation invests in student-centered solutions that allow more Texans to achieve their postsecondary goals. As part of our grantmaking strategy, we support interventions that make college more affordable so cost does not create a barrier to completion of a credential. The following brief presents the most recently available data on the financial needs of Texas postsecondary students. We first describe the demographic characteristics of the student population. Next, we summarize the sources of funding available to students, then compare available funding to the actual costs of college to provide an estimate of students' unmet need. Finally, we discuss the impact of the COVID-19 pandemic on financial access to postsecondary education.



WHO ARE TEXAS POSTSECONDARY STUDENTS?

The Texas Higher Education Coordinating Board (THECB) provides comprehensive enrollment data for all public and private two- and four-year institutions in Texas.¹ Per THECB, as of Fall 2018:

- 889,243 students were enrolled in two-year institutions, and 820,251 were enrolled in four-year institutions, for a total enrollment of 1,709,494 students.
- 57% of students were female and 43% were male.
- 13% were African American, 38% were Hispanic, 35% were White, and 14% were members of another racial/ethnic group.
- 43% received the Pell grant at some point during their postsecondary education
- 49% of two-year students were enrolled part-time, as compared to only 5% of four-year students.



WHAT FINANCIAL RESOURCES ARE AVAILABLE TO STUDENTS?

Students seeking to finance their postsecondary education typically use some combination of the following options, depending on their circumstances.

FAMILY CONTRIBUTION

Students who are dependents of parents with sufficient income or savings can use funds provided by their families to pay college costs. In fact, under current federal policy, family income is the default option for financing postsecondary education: students become eligible for more federal aid as their expected family contribution (EFC) decreases.

- The average EFC for undergraduate students nationally is \$10,100, with wide variation by type of institution attended, gender, race/ethnicity, age, and other factors.²
- The typical family with dependent students pays for about 30% of the cost of college using parents’ income and savings; an additional 2% is covered by relatives and friends.³

PERSONAL INCOME

About 70% of all college students work to support themselves as they pursue their educational goals.

- About one quarter of employed students work more than 35 hours per week, and close to half work between 15 and 35 hours weekly.⁴
- The average undergraduate working 29 hours per week earns about \$16,000 annually.⁵

GRANTS AND SCHOLARSHIPS

55% of Texas undergraduates receive grants or scholarships to help finance their education. About 43% of grant aid is awarded to students whose income falls below the poverty line, 28% to those between poverty and the median income, and 19% to those above the median.⁶

The table below summarizes the largest sources of grant aid in Texas.⁷ Note the federal Pell grant is the most extensive program by far, both in terms of total expenditures and number of awards.

| Source | Total Expenditures in TX | Number of Awards | Average Award |
|--|---------------------------------|-------------------------|----------------------|
| Federal Pell Grant | \$2.1B | 528,497 | \$3,984 |
| Institutional Grants | \$1.5B | 185,210 | \$5,381 |
| TEXAS Grant (baccalaureate) | \$383M | 76,951 | \$4,948 |
| HB 3015 (tuition set-asides) | \$250M | 106,242 | \$2,353 |
| Texas Educational Opportunity Grant (two-year) | \$48M | 21,280 | \$2,267 |

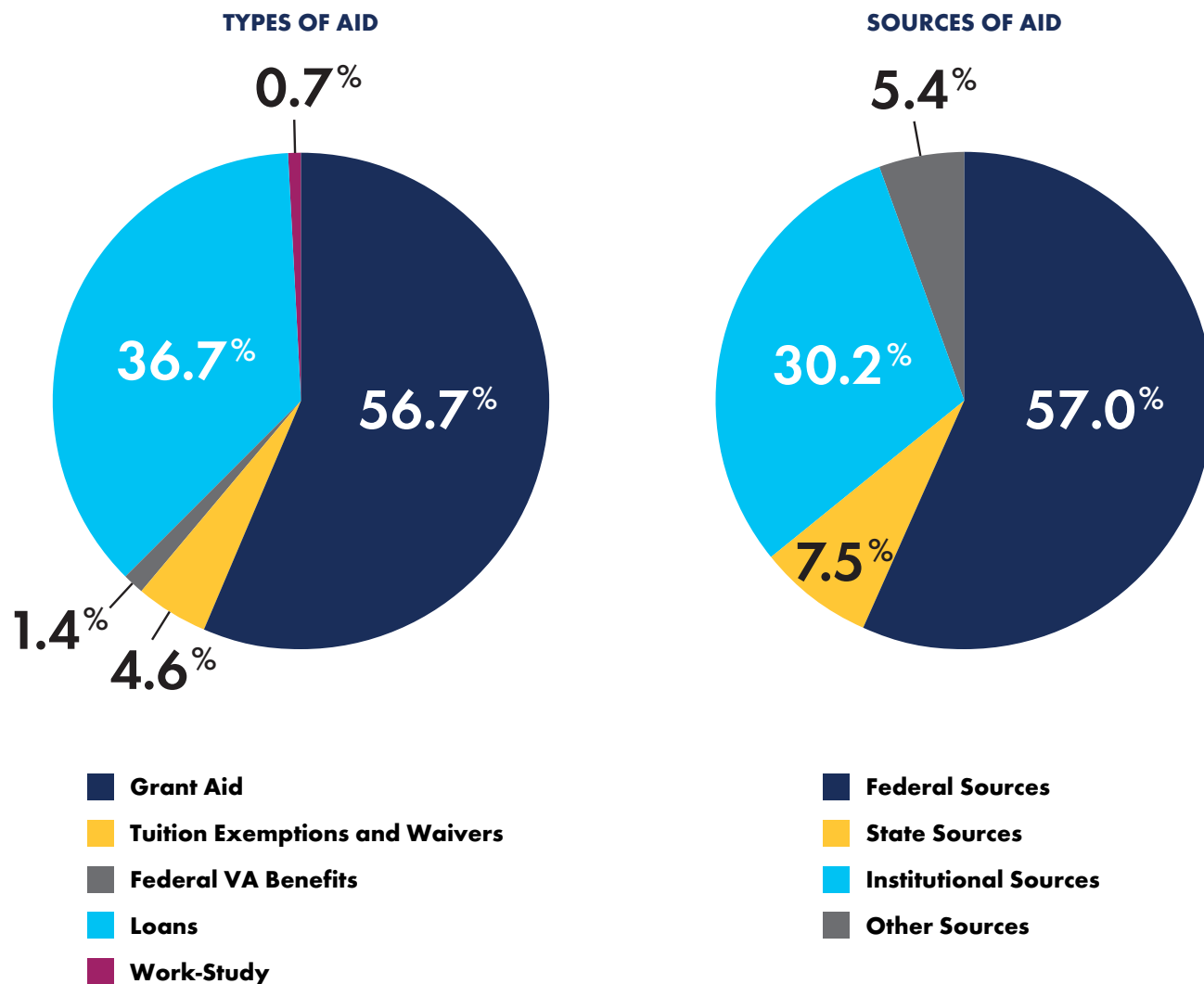
LOANS

30% of Texas undergraduates receive student loans from the federal or state government. 36% of students below the poverty line, 26% between poverty and the median income, and 37% above the median take out loans. As is the case with grant aid, the federal government provides the lion’s share of student loans.⁸ In FY 2018 Texas students received \$3.2 billion in federal student loans, as compared to only \$149 million in state loans and \$235 million in private loans.

The charts below summarize the distribution and sources of student financial aid in Texas, including relatively smaller sources not discussed in this brief such as work-study earnings and tuition waivers.⁹

FIGURE 1

Types and sources of aid to undergraduate students, FY 2018



ARE THESE RESOURCES ADEQUATE TO MEET STUDENTS' NEEDS?

Although the combination of family income, personal income, grants and scholarships, and loans yields a staggering amount of funding to support students' postsecondary pursuits, each of those sources falls short of covering the full cost of college. Stagnant incomes and the declining value of public investments in higher education combined with the high cost of college leave a sizeable affordability gap for many Texas students and their families.

FAMILY CONTRIBUTION

The share of students whose families can help finance their education has decreased over time.

- In 1999–2000 nearly half of college students had a family income of at least 300% of the poverty line; by 2015–16, that proportion dropped to just over a third.¹⁰
- In 1999–2000 about 18% of students who filed the FAFSA had an Expected Family Contribution (EFC) of \$0; by 2015–16, it was 39%.¹¹

The composition of the postsecondary student population also has shifted considerably; far more students today than in the past are older, financially independent, and working to provide for children or other family members. Even students who live with their parents may contribute their own income to the household rather than receiving funds to pay for their schooling.

- About one quarter of Texas postsecondary students have children.¹²
- In one survey, about three-quarters of students living at home said they purchased their own food and 39% paid rent.¹³

PERSONAL INCOME

Although jobs can provide valuable experience and financial support, they rarely produce enough income to cover the full cost of attending college.

- A student earning minimum wage would need to work 68 hours per week to pay for a baccalaureate degree solely through work.¹⁴
- Around one quarter of college students who experience food or housing insecurity do so despite working more than 30 hours per week.¹⁵

Work obligations also can make it difficult for students to devote the appropriate amount of time to their studies, and several sources have documented decreases in GPA, persistence, and completion for students working more than 15 hours weekly. For some students, overwork may bring their postsecondary education completely to a halt, creating a catch-22 in which the credential they need to secure higher wages falls out of reach because they needed to earn higher wages to complete it.

GRANTS AND SCHOLARSHIPS

Gift aid is a significant source of funding for students, and it comes from a wide variety of sources, including private foundations and donors. As shown in Figure 1 above, however, the preponderance of gift aid is provided by public entities whose level of investment has not kept pace with college costs.

- The average Pell grant in Texas covers just 19% of the cost of attendance, defined as tuition and required fees, books and supplies, room and board, and transportation and personal expenses, at both two-year and four-year institutions.¹⁶
- Nationally, state allocations for higher education decreased from 12.9% of spending in 1995 to 9.6% in 2019.¹⁷
- Texas provides \$277 in state financial aid per full-time student, ranking 39th in the nation—despite allocating a relatively high percentage of tax revenue to higher education (7.8%) compared to other states.¹⁸

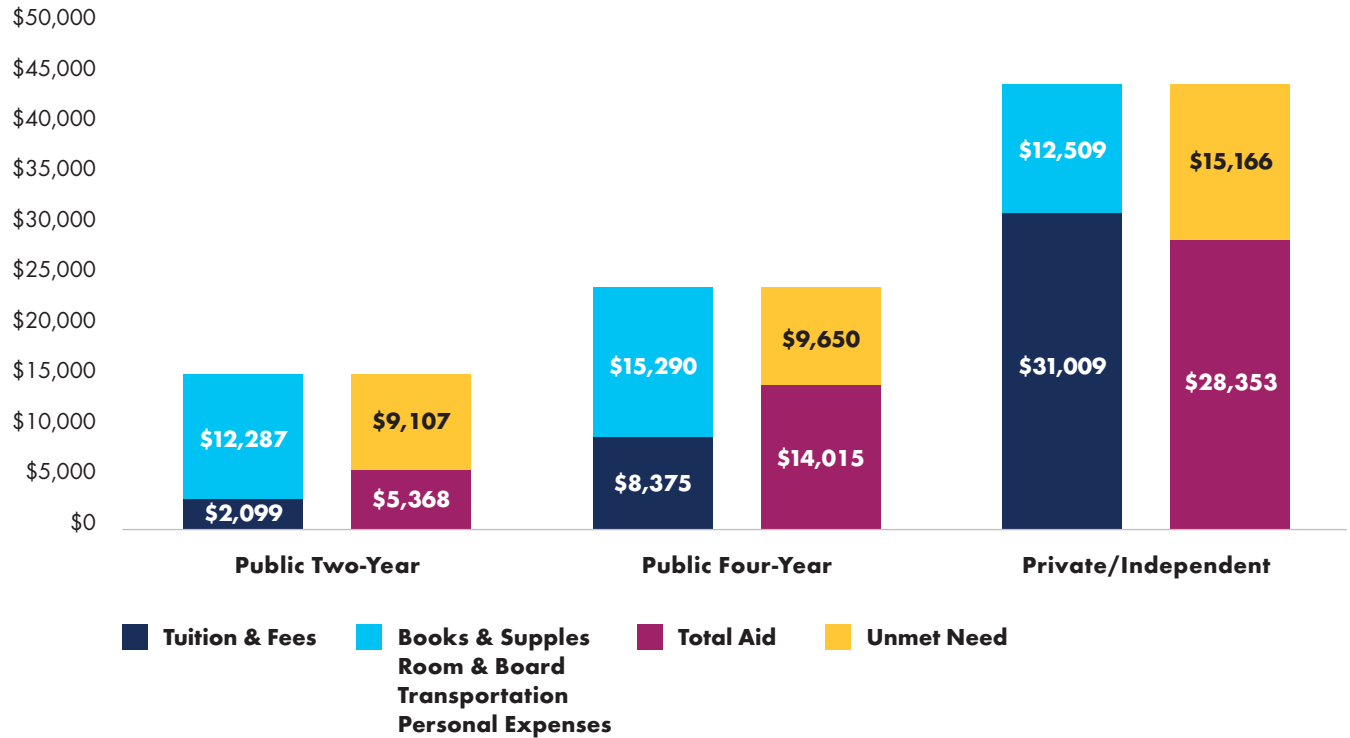
LOANS

Although debt is a useful tool that makes higher education accessible for thousands, it can become a crippling burden for student borrowers who do not complete a credential or whose income following graduation is not commensurate with their debt. The consequences of unmanageable debt are distributed unevenly across important populations, so student borrowing trends have particularly serious implications for equity in our state.

- Student debt trends differ by completion status. Half of students who complete a credential carry debt, with an average load of \$26,883. 36% of non-completers carry debt, averaging \$14,495.¹⁹
- Despite carrying smaller debt loads on average, non-completers are substantially more likely to default (45%) than associate degree holders (22%) and baccalaureate degree holders (8%).²⁰
- Student debt varies considerably by race and ethnicity. The average loan debt burden for Black two-year graduates is 101% of their first-year wages, compared to 70% for White and 63% for Hispanic graduates. The average loan debt burden for Black four-year graduates is 54%, compared to 39% and 35% for White and Hispanic students, respectively.²¹
- Default rates differ across regions, ranging from a low of 7.6% in Central Texas to a high of 13.1% in West Texas.²²

Taken together, these limitations result in significant unmet need for students. The chart on the following page summarizes the gap between student financial aid and cost of attendance. The unmet need estimate, shown in red, indicates the dollar amount students would have to pay using some combination of family contribution and personal income to cover the full cost of attendance.²³

AVERAGE UNMET NEED BY INSTITUTION TYPE



Note that although two-year institutions offer a much lower cost of attendance, the amount of aid provided for students is lower as well, resulting in an affordability gap comparable to that of four-year institutions. Additionally, at both types of public institutions, significant unmet need remains even though the total amount of aid students receive on average exceeds the cost of tuition and fees.

When students are unable to cover their expenses using family and personal resources, basic needs insecurity results, jeopardizing not only students’ prospects for postsecondary attainment but their physical and mental health.

- According to the national #RealCollege survey, 39% of college students were food insecure in the prior 30 days, 46% were housing insecure in the previous year, and 17% were homeless in the previous year.²⁴
- Around 3 in 5 Texas students would have trouble getting \$500 in cash or credit to meet an unexpected need in the next month.²⁵
- More than two-thirds of Texas students have run out of money at least once in the past year; one-third of two-year students and one-quarter of four-year students have run out of money five or more times.²⁶

HOW HAS COVID-19 IMPACTED STUDENTS FINANCIALLY?

The COVID-19 pandemic exacerbated financial challenges for college students and their families. In addition to moving to online education, which introduced technology and access issues for many students, students are taking on routine care of children and other dependents and are experiencing loss of jobs and income.

According to a recent survey of more than 27,000 community college students conducted by the Texas Association of Community Colleges, since the COVID-19 outbreak:²⁷

- 26% of students are working fewer hours, 27% have less income, and 22% lost their jobs.
- 73% of respondents would find it difficult to acquire \$500 in cash or credit within 30 days, a significant increase from the baseline reported above.
- More than 40% of students with dependents are spending 6 or more additional hours daily caring for the members of their household due to loss of access to K-12 schools, childcare, and senior care.

The Hope Center for College, Community, and Justice conducted a similar survey of college students to determine impacts of COVID-19 on a national scale.²⁸ Their findings included:

- Nearly 3 in 5 students are experiencing basic needs insecurity.
- 44% of students at two-year institutions and 38% of students at four-year institutions are experiencing food insecurity.
- 15% of students at four-year institutions and 11% of students at two-year institutions are experiencing homelessness due to the pandemic.

There are number of ways public and private efforts are supporting students through this period. With respect to Texas students:

- In partnership with GTF and Trellis, the Texas Higher Education Coordinating Board established an emergency aid fund available to all two-year and four-year public and private non-profit institutions in the state. Institutions must apply for funding and awards are prioritized based on a number of factors, including number of Pell eligible students.
- The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$30.7B nationally, which included roughly \$13.2B to the Elementary & Secondary School Relief Fund; \$3B to Governor’s Emergency Education Relief fund; and \$14B to postsecondary institutions. Of the \$14B, Texas received about \$1B of which \$500M must be allocated to emergency aid. In addition, there was an additional \$1B nationally allocated specifically for HBCUs and other MSIs. In early July, Governor Abbott announced the allocation of an additional \$57M in federal funds to bolster the state’s need-based aid program. Later in the month, Abbott announced an additional \$118M in allocations to support higher education, including \$93M earmarked specifically for students seeking to continue or restart their education.²⁹
- Finally, many institutions around the state are setting up their own COVID-specific emergency aid funds are raising private dollars to support the funds.



In addition to financial challenges, there remains uncertainty about how the 2020–2021 academic year will proceed. Colleges are using a wide array of options, including all virtual, all traditional, and hybrid models. Many are planning for shorter semesters. Despite precautions taken to allow for in-person learning, however, some campuses shifted back to fully virtual learning within a few days of opening this fall. Meanwhile, data on summer 2020 enrollment indicate sharp drops in postsecondary participation among some of the most vulnerable student populations. The national outlook varies widely by student group and institution type, and graduate enrollments are higher across the board. Compared to last year, though, community college enrollments are down 5%, public rural four-year enrollments dropped by 8%, Black undergraduate enrollments declined 8%, and male enrollments decreased by 5%.³⁰ Preliminary data from within Texas suggests a more positive outlook for the state, with wide variance across institutions but overall positive gains for every racial and ethnic group.³¹

In the context of COVID-19, the financial situation of our state’s already most vulnerable students becomes even more precarious.

CONCLUSION

The data are clear: the cost of higher education has increased beyond the means of most students and their families, and the state and federal resources available to cover the gap are not keeping pace. Half of college completers graduate with debt averaging nearly \$27,000, and many students never complete at all because they simply cannot afford to.

In collaboration with our partners, Greater Texas Foundation seeks to improve the outlook for Texas students by increasing the likelihood that they will complete postsecondary credentials with market value and will do so efficiently. We will continue to harness the power of partnership, grantmaking, research, knowledge building, convening, capacity building, and collective action to remove financial barriers to postsecondary success at scale across the state.



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¹ All data in this section are found in THECB's 2019 Texas Public Higher Education Almanac at <http://www.highered.texas.gov/data-reports/texas-public-higher-education-almanac>

² National Center for Education Statistics. 2019. Web Tables – Student Financing of Undergraduate Education in 2015–16 (p. 130). <https://nces.ed.gov/pubs2019/2019475.pdf>

³ Sallie Mae/Ipsos. 2019. How America Pays for College. <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2019.pdf>

⁴ Georgetown Center for Education and the Workforce. 2018. Balancing Work and Learning: Implications for Low-Income Students. <https://cew.georgetown.edu/cew-reports/learnandearn/>

⁵ Ibid.

⁶ Texas Higher Education Coordinating Board. 2019a. Financial Aid Report in Texas for 2018. <http://reportcenter.highered.texas.gov/reports/data/report-on-student-financial-aid-in-texas-higher-education-for-fy-2018/>

⁷ Trellis Company. 2020. State of Student Aid and Higher Education in Texas. <https://www.trelliscompany.org/state-of-student-aid-2020/>

⁸ THECB 2019a

⁹ THECB 2019a

¹⁰ Trellis Company. 2020. State of Student Aid in Texas. <https://www.trelliscompany.org/state-of-student-aid-2020/profile-of-texas-college-students>

¹¹ Kelchen, Robert. 2017. Trends in Zero EFC Receipt. <https://robertkelchen.com/2018/05/24/trends-in-zero-efc-receipt/>. Note: Family contribution levels vary widely by race and ethnicity. 48% of Latino students and 58% of Black students had an EFC of \$0 in 2015–16.

¹² Kelchen, Robert. 2017. Trends in Zero EFC Receipt. <https://robertkelchen.com/2018/05/24/trends-in-zero-efc-receipt/>. Note: Family contribution levels vary widely by race and ethnicity. 48% of Latino students and 58% of Black students had an EFC of \$0 in 2015–16.

¹³ The Institute for College Access and Success. 2017. College Costs in Context: A State-by-State Look at Affordability. https://ticas.org/files/pub_files/college_costs_in_context.pdf

¹⁴ Trellis Company 2020

¹⁵ Hope Center for College, Community, and Justice. 2020. #RealCollege 2020: Five Years of Evidence on Campus Basic Needs Insecurity. https://hope4college.com/wp-content/uploads/2020/02/2019_RealCollege_Survey_Report.pdf

¹⁶ Trellis Company 2020

¹⁷ State Higher Education Executive Officers Association. 2020. State Higher Education Finance Report. <https://shef.sheeo.org/report>

¹⁸ SHEEO 2020

¹⁹ THECB. 2019b. Texas Public Higher Education Almanac. <http://reportcenter.highered.texas.gov/agency-publication/almanac/2019-texas-public-higher-education-almanac>

²⁰ Trellis Company 2020

²¹ THECB 2019b

²² Trellis Company 2020

²³ THECB 2019a

²⁴ Hope Center 2020

²⁵ Trellis Company 2020

²⁶ Trellis Company 2020

²⁷ Texas Association of Community Colleges. 2020. TACC Student Needs Survey Initial Findings. Presentation to GTF and other funders.

²⁸ The Hope Center for College, Community, and Justice. 2020b. #RealCollege During the Pandemic (Infographic). https://hope4college.com/wp-content/uploads/2020/06/RealCollegeDuringthePandemic_onePage.pdf Full report available at: <https://hope4college.com/realcollege-during-the-pandemic>

²⁹ Office of the Texas Governor. 2020. Governor Abbott Announces Additional \$118 Million in Federal Funding to Support Texas Higher Education. July 22. <https://gov.texas.gov/news/post/governor-abbott-announces-additional-118-million-in-federal-funding-to-support-texas-higher-education>

³⁰ Fain, Paul. "Precursor for the Fall." Inside Higher Ed. September 1. <https://insidehighered.com/news/2020/09/01/summer-enrollments-declined-sharply-among-black-undergraduates-and-community>

³¹ For the latest enrollment numbers for Texas institutions, visit www.txhighereddata.org.